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FEDERAL BLOCK GRANTS AND REVENUE SHARING—THE ADVANTAGES AND DISADVANTAGES FOR THE STATE OF IOWA

HEARING

BEFORE THE

COMMITTEE ON THE BUDGET
UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

DES MOINES, IOWA
FEBRUARY 18, 1982

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FEDERAL BLOCK GRANTS AND REVENUE SHARING—THE ADVANTAGES AND DISADVANTAGES FOR THE STATE OF IOWA

THURSDAY, FEBRUARY 18, 1982

U.S. Senate,
Committee on the Budget,
Des Moines, Iowa.

The committee met in room 116, Iowa State Capitol, Des Moines, Iowa, at 9:10 a.m., Hon. Charles E. Grassley presiding.

Present: Senator Grassley.

Staff present: Peter Conroy and Wythe Willey.

OPENING STATEMENT OF SENATOR GRASSLEY

Senator Grassley. I would like to call this hearing to order.

This is a field hearing for the U.S. Senate Budget Committee, of which I am a member, and the purpose of today's hearing is to explore the general subject of block grants and the past and future dispersal of funds for these programs and their administration totally in Washington or by a partnership involving a transfer of programs to State and local governments. This is a process that obviously we've been talking about, one way or another, in Washington for several years, and at the National Governors Conference and the Advisory Committee on Intergovernmental Relations, as well. And for the past 2 years, there has been a growing consensus among Government officials at every level about the desirability of decongesting the Federal grant system, reducing both the number and the complexity of grant programs. During 1981, the Reagan administration moved forcefully toward this goal. How best to continue this movement and to achieve decongestion is the question in 1982.

Aside from regulatory relief, which could be a part of any Federal aid reform, there are three basic options for decongesting the Federal grant system: Block grants; program tradeoffs; and revenue tax turnback.

I'm indebted to a staff paper, January 1982, of the Advisory Commission on Intergovernmental Relations for certain facts in this area.

PROLIFERATION OF FEDERAL AID NOT FORESEEN

Way back in 1957, just before I was first elected to the Iowa Legislature, the Federal aid system was playing in the minor leagues—in its entirety, it consisted of 50 programs spending about $4 billion. Neither State and local governments nor the Congress foresaw the proliferation that was to come, and which eventually materialized. But today, now that the Federal grants system has come into the major leagues, it has spawned over 450 programs, costing $85 to $90 billion in 1982.

The signal that we are receiving in Washington these days is that the reaction to the ever-compounding confusion in administration of Federal controls and incentives is mounting support for judicious pruning of the grants system itself. I hope that today's hearing will allow all of you a chance to flush out this signal, and give me a notion of what Iowans in the State and local governments think about the advantages and disadvantages of block grants, program tradeoffs, and revenue tax sharing.

DIALOG SOUGHT WITH OFFICIALS

As a representative of the Senate Budget Committee, I come to you in the same vein that President Reagan did a week ago, when he testified, in a sense, through his speech, before the Iowa Legislature, to the people of Iowa. The President was opening a dialog with 50 individual State legislatures and 7,000 individual State legislators, over a concept that he believed in and that he has proposed; on the exact details of that program, he wants dialog with local and State officials, to work out the details.

Hence, I expect the hearing record of this hearing to add to that dialog, not only for my benefit and my colleagues' consideration of this issue before the Senate Budget Committee, but also for consideration of the administration as well, as they, in harmony with State and local officials, work out the details of what the President has termed "New Federalism."

The statements before the hearing will be recorded for the record and later published, and if anybody in the audience or anybody, is interested in receiving copies of the transcribed testimony, it's just a matter of contacting my office and I'll be glad to see that you get copies.

We do have panels, made up of various State administrators, legislators and local officials that we have made arrangements with previously for their testimony. There will be a summary of their testimony, there will be a more complete text, if they desire, printed in the record as well and, of course, there will be some exchange of views between me, as chairman of the committee, and the witnesses, for further detail, that will also be part of the record.

Usually at a hearing like this, whether it's held in the State or whether it's held in Washington, D.C., we give everybody who has a desire to submit written testimony, the opportunity to have that testiimony printed in the record, just as if it had been spoken here. So if there is anybody who desires, to submit written testimony, even though you aren't on a panel, that possibility will exist for a short period of time after today.

So today or later, any of you who weren't invited to testify, but desire to leave statements for the consideration of the Senate Budget Committee, please take advantage of that opportunity; many citizens do.

Last October I held a hearing across the rotunda on the subject of immigration and refugee policy, because of my membership on that subcommittee of the Judiciary Committee. We also had people who didn't have time to testify leave written records as well.

We have forms in the back of the room for this purpose, if you desire to use that approach.

So now I would like to turn to the first panel, and we have in our first panel, Ron Mosher, the comptroller of the State of Iowa; Mike Reagen, social services administrator; Gary Evans, Central Iowa Regional Association of Local Governments; Harve Davis, Matura Action Corp.; and Shirley Baird, from area XV agency on aging.

Unless the panel has suggested otherwise, I will start with you, Mike, I suppose, because you're the first in line, and I assume Ron will be up later on. Do we have any reason to think Ron will be——

Mr. CONROY. No; he'll be here later.

STATEMENT OF MICHAEL V. REAGEN, PH. D., COMMISSIONER, IOWA DEPARTMENT OF SOCIAL SERVICES

Mr. REAGEN. Thank you. Senator, distinguished guests, and friends, these times demand change. Whether we want it or not, change—and dramatic change—will be thrust upon us. As commissioner of the Iowa Department of Social Services, I welcome and appreciate this opportunity to comment on the fundamental restructuring of Federal and State relationships which was proposed by President Reagan in his budget message to Congress on February 8.

PROPOSED CHANGES WILL HAVE LASTING EFFECT

Having prime responsibility for the administration of Iowa's service and income maintenance programs, as well as Iowa's mental health, mental retardation, adult correctional and juvenile programs, the changes proposed will clearly have a dramatic and lasting effect on those Iowans for whom I am charged to provide assistance and shelter.

Because many of the details of the President's proposals are not available, and will not be available for some time, I am able to respond only in a general way to the major initiatives presented in the fiscal year 1983 budget, including the components of the New Federalism. The department will be providing specific and detailed comments as specific proposals are developed and released in the weeks ahead.

The need to realine the relationship between the Federal Government and the States in the administration of the fundamental programs which provide for the general welfare of our citizens is badly needed. The President's proposals to clarify the Federal and State responsibilities in the administration of these essential Government functions are very welcome. Such change offers promise and opportunity; however, one must assume some risk that the resulting relationship will be even less flexible and less equitable than now exists.

AREAS OF PROMISE IN PRESIDENT'S PROGRAM

I'd like to take this opportunity this morning, briefly, to allow me to describe the three areas of the President's proposal which offer the most promise, in my judgment, and five questions which present the most difficulty at this point in time—with limited information—for me.

ABILITY TO GOVERN

First, one of the areas of most promise is the State and local governments' ability to govern. Congress must recognize, as the President has, that the ability of State and local governments to identify the needs of their citizens and to administer services to those citizens in an efficient manner has increased dramatically within the past two decades.

During my nearly 20 years as a public administrator in Iowa and in the State of New York, I have witnessed the development and blossoming of a new and exciting professionalism in State and local public administration. The competence of State and local chief executives, legislators, and other public servants at the State, county, and city level, as well as the tools they have to do their job, have markedly improved in the past 20 years. In this State, much of the improvement in the last 10 years has resulted from the partnership of the public and private sector in reviewing State Government operations, first in 1970 and again in 1979, through Governor Ray's economy committee.

IMPROVED CORRESPONDENCE

The second area of most promise is improved correspondence between the State's responsibility and the State's authority.

A fundamental principle of management is that the scope of one's authority must correspond to his or her scope of responsibility. The President has proposed a number of changes in the administration of programs which permit States to assume greater authority in determining how programs they have a primary responsibility for administering will be managed. For example, the President would delegate audit responsibility to the States, so long as generally accepted accounting principles are met.

Overly restrictive planning requirements would be stricken, to allow States greater freedom to choose how to allocate available funds to programs and to potential recipients.

Greater discretion would be given to States to interpret regulations reasonably within the general framework of the congressional legislation, to best meet the States' needs.

And I welcome these initiatives.

STABILITY OF FEDERAL FUNDING

The third area of great promise is stability of Federal funding. Although I've got to reserve the right to argue over the level of funding provided in the President's budget proposals for many of the income maintenance and social services programs I am charged with administering, the stable and predictable character of Federal funding that would result from the adoption of the President's budget proposals, especially the so-called Swap, is of particular attractiveness to those of us in State and local governments. The adoption by the Federal Government of a mid- to long-term spending plan would greatly relieve State and local governments from massive difficulties associated with the current Federal budget process. Now, the lag—the time lag—between the President's proposals and final congressional action, has often placed the State in the middle of its own fiscal year before it knows what Federal funds it can rely upon for that same fiscal year. The predictability of Federal revenue streams, presented in the President's New Federalism initiatives, show a welcome sign that this problem has finally been recognized in Washington.

Although the President's budget proposals and Federal initiatives offer the promise to eliminate many of the difficulties State and local governments have had with growing federalism, there are some disturbing aspects of the proposals as originally presented. While I'm sure that many of the questions that my colleagues and I have regarding these proposals will be answered in the week ahead, as the administration defines and develops the proposals and works with the Congress and others on these issues, it is important—at least to me—to raise these questions and try to identify them at the earliest possible time:

FLEXIBILITY OF STATES

The first question: How real will the States' flexibility be?

I am concerned that the increased discretion in administration now in the President's proposal will remain after congressional action on those proposals. In many respects, the budget for fiscal year 1982 offered the same promise of flexibility, but we at the State level discovered the most significant change in the Federal partnership was not the amount of discretion we had, but in the amount of funds that we received.

With very little increase in the amount of discretion with which we could administer programs, the Iowa Department of Social Services had only a few months in its State fiscal year 1982 to absorb reductions of Federal funds exceeding $10 million.

According to an analysis recently done by Assistant Commissioner Pat Cavanaugh, of my Department, for the Governor's Federal Budget Task Force, we expect the President's proposals to reduce Federal funds for the Iowa Department of Social Services by nearly $45 million below the level received in Federal fiscal year 1981, nearly $30 million of that decrease coming between fiscal year 1982 and 1983.

The point is: Will the State be given sufficient discretion to manage that kind of a cutback, as it sees fit?

WORK INCENTIVES PROGRAM

Question No. 2: How does the desire for work incentives square with the dramatic budget reductions in job placement funds?

In Governor Ray's 1982 condition of the state message, he identified as a major priority the creation of jobs for Iowans, and presented ways to accomplish this along several fronts, including an innovative job placement pilot program for AFDC recipients. Working together, the Iowa Department of Social Services and the Job Services of Iowa have administered an effective work incentive, or WIN, program for the past several years, greatly reducing the burden on the State's welfare program. The President's proposals, however, really have almost killed these efforts.

Based on recent projections, in fiscal year 1983, job services would lose over 200 employees in its current job placement activity, or a nearly 55 percent reduction of its current staff, and a corresponding drop in job placements, from 82,000 in fiscal year 1982 to 48,000 in fiscal year 1983. Cuts beyond fiscal year 1983 appear to be even greater.

The cuts proposed for the WIN program for fiscal year 1983 appear to be even worse. All of the 41 Job Services employees now working under this program would be dropped, under the fiscal year 1983 budget proposal, with a corresponding cut of 50 employees within my own Department who work closely with those people, and a loss of 2,800 job placements for welfare families which we facilitate. It's truly penny-wise, I would respectfully suggest, and pound-foolish, to eliminate this valuable program precisely at the time when it is most needed.

MAINTENANCE-OF-EFFORT PROVISIONS

Question No. 3: What maintenance-of-effort provisions will be expected under the "Swap"?

Even after accounting for regional differences in cost of living, large differences in States' standards of need under the AFDC program exist. If the proposed "Swap" of Federal welfare programs occurs, some minimum standard benefit should be provided and required by the Federal Government. While States generally are best able to determine the needs of its citizens, the Federal Government, I believe, does have an obligation under the Constitution to promote the general welfare of the citizens of the Nation as a whole. Accordingly, I think that we should assure equity in the administration of these essential assistance programs if the "Swap" occurs.

Just as differences now exist in those portions of the "Swap" which the State would assume, significant differences exist in the scope of the medicaid programs among the States. Iowans have been compassionate in the development and feeding of a medicaid program which, for the most part, meets the medical needs of its elderly poor. Other States, however, have not been that generous or that compassionate. The record speaks for itself in this matter.

If the Federal Government assumed responsibility for the medicaid program as proposed by the President, some "leveling" of the program among the States would be expected to occur. It's reasonable, it seems to me, to assume that the Federal medicaid program would not be raised to the scope now offered by Iowa and several other States in the upper Midwest, but, rather, some sort of "average" program would be set.

I believe the States should expect some commitment from the Federal Government to maintain a program scope for medicaid that is complete and assures continued services for several of the so-called "optional" groups and services; for example, dental care and nursing-home care, which, for all intents and purposes, now are de facto mandatory components of the program and make up so much of the State's pre-Swap program.

According to a recent analysis by our department, if the Swap were to occur today, Iowa would lose nearly $32 million. However, it would gain nearly $10 million in the Swap by 1984, if the President's budget proposals are adopted and the current scope—that is, the people who are currently served and the array of services that they receive—are maintained. If Iowa's program after Swap were reduced in this leveling process, any cost advantage to Iowa in the Swap I think might quickly evaporate.

COMMON-WELFARE-ADMINISTRATION GRANT

Question No. 4: Does the common-welfare-administration grant really encourage State efficiency?

Although there may be good reason for concern over excessive administrative costs in some States, the application of a common welfare-administration grant at a level 5 percent below fiscal year 1982 funding, I believe, is punitive for Iowa and for other States which have demonstrated restraint and control of their administrative costs. During the past 12 months, our Department has reduced its staff of welfare workers by nearly 2,500. I have over 1,000 vacancies now. I've maintained a very high vacancy factor. I believe that we've dealt successfully with Federal and State budget reductions. To cap Federal participation in these administrative costs at 95 percent of fiscal year 1982 level presents an undue burden on already-strained operations, and accounts for no shifts in client populations, program demands, inflation or competence in the administration.

Although some simplification of the current cost allocation formula for developing the Federal share of administrative costs is welcomed and I strongly encourage it, a general kind of across-the-board or meat-ax approach I think will place an impossible burden on the Department that I'm responsible for.

TURNBACK COMPONENT OF THE FEDERAL INITIATIVE

Question No. 5: Will the turnback component of the Federal initiative work inequitably against Iowa and some other Midwestern States?

Under the second component of the Federal initiative, the States' portion of the $28 billion trust fund will be raised or lowered depending upon whether that State was a so-called winner or loser in the Swap, so that all States, theoretically, could come out even. Several concerns are raised by this notion:

As stated above, the determination of whether and to what extent a State would be a winner or loser in the Swap must be based on the post-Swap Federal Medicaid program. Otherwise, those States now deemed to be winners would not only be losers in the Swap, but also would lose when their portion of the federalism trust fund is transferred, probably to other States.

Nearly $17 billion of the $28 billion trust fund is generated from oil windfall taxes. When the trust fund phase-out begins and the corresponding elimination of the Federal excise tax begins and the windfall profit taxes begin in fiscal year 1988, States like Iowa and other non-energy producing States, will not have, in my judgment, the tax capacity to raise funds to replace the loss of the trust fund revenues. Proposals to equalize as much as possible the taxing capacity among the States, I would respectfully suggest, should be explored as an alternative or an add-on to that which has already been proposed.

DECREASE OF FEDERAL REGULATORY BURDEN WELCOMED

Then, in conclusion, with a concern for our citizens and a confidence in our ability to serve them well, we in State government—certainly in my department—welcome the President's proposals to decrease the Federal regulatory burden and to permit us greater discretion in responding to the needs of our citizens.

While some reduction of Federal involvement is welcomed, the Federal Government, I believe, has a continuing concern and obligation to assure the welfare of the citizens of the country; and a partnership between the Federal Government and the States, which it must change, must be continued in some fashion to assure the welfare of all our citizens are maintained at an adequate level.

I believe that all of us in Iowa State government—certainly myself and the people who work directly with me—look forward to working with you in the Federal Government to continue this partnership and the dialogue in the years ahead, to best provide for the welfare of all our citizens.

Thank you.

Senator **Grassley**. Thank you, Mike.

Ron, if you're prepared, I think—I was going to go around the table this way, so I'll come back to you and then go with those three—the last three; is that all right?

Mr. **Mosher**. That would be just fine with me.

Senator **Grassley**. OK; thank you.

Mr. **Mosher**. Do I have to do anything with the microphone, or——

Senator **Grassley**. Yes, I guess you have to punch on the button.

Mr. **Mosher**. Oh. I don't like to speak with only one hand.

[Laughter.]

Mr. **Mosher**. I apologize for being late, Senator.

Senator **Grassley**. I can understand.

Mr. **Mosher**. You know, the Governor had an announcement this morning, and I wanted to be there.

Senator **Grassley**. I can appreciate that.

STATEMENT OF RONALD F. MOSHER, STATE COMPTROLLER OF THE STATE OF IOWA

Mr. **Mosher**. I want to thank you, Senator Grassley, for this opportunity to talk with you about Federal block grants and revenue sharing, the two subjects that you asked us to address. Your personal interest in the future of these financial mechanisms is sincerely appreciated, and perhaps you can use your influence with your Senate colleagues to reverse the current Federal course, which is to phase out both of these concepts.

I'll be very brief. I think it's important at the outset that we not let the current budget numbers or the current financial budget predicament get in the way of the discussion. For the next few minutes, rather, I would like to focus on some fairly broad points that I think are of some concern to the States.

First, I would like to state some assumptions, because I think that without those assumptions the discussion isn't very meaningful.

SOCIAL SAFETY NET RESPONSIBILITY OF THE FEDERAL GOVERNMENT

My first point would be that I believe the Federal Government does, indeed, have a legitimate domestic national interest. There are more reasons for the Federal Government to exist than just to provide for national defense, although that certainly is an important mission. The Federal Government also has, among other things, a responsibility to provide, as the President has put it, a social safety net. That is, it has the responsibility for providing an assurance that every citizen will have a minimum level of health, welfare, and safety needs properly addressed, regardless where that citizen happens to live in this country.

Fortunately, we've now advanced beyond a discussion of whether that safety net should exist, to the point where we can now focus on the important questions concerning the appropriate level of minimum standards and the most equitable method of providing the dollars needed to furnish services at the prescribed level.

The Federal Government can best assure the existence of an adequate social safety net by very broadly defining it at a national level, mandating it and providing full funding for it. However, that does not mean that the Federal Government should operate the mandated programs. State and local governments are much more knowledgeable about local needs, and can best tailor a locally managed program to meet those needs. Regular audits can assure that the national minimum standards are met. Funding with which to meet these minimum standards should be provided to the States through a combination of block grants and revenue sharing. Both financing mechanisms are important, and each serves a unique purpose.

REVENUE SHARING CAN SERVE IMPORTANT ROLE

Revenue sharing can serve an important role as a tax-load equializer among the States. The funds could provide each State with a minimum level of tax capacity, regardless of actual wealth and income distribution. This distribution of funds could reduce the disparity among the States in their ability to assess taxes.

Insofar as practical political reality would permit, revenue sharing should not merely be a substitute for local taxation. If it serves primarily as a device for raising taxes at the State or local level without having to vote for them, it probably serves no national interest. However, if it is truly linked to tax capacity, then it can serve an important national role by narrowing the gap between the poor and the rich taxing authorities. This concept is not too unlike the social safety net proposed for individuals.

BLOCK GRANTS ARE IMPORTANT FUNDING MECHANISMS

Block grants are important funding mechanisms for the social safety net costs. They should be aimed at very broad targets. State and local governments should tailor programs to meet local needs within the broad framework of national policy.

Block grants can likewise serve the national interest by providing essential funding to meet the minimum standards on a permanent basis.

The term "block grant," however, does not seem to mean the same thing to the Federal Government as to the States. The States generally think of block grants as being generally targeted pools of money from which the Federal strings have been cut, and which can be used to address specific local needs within the parameters of broad national policy.

The Federal interpretation seems to be much more narrowly focused. Some block grants actually received are not much different than the categorical grants they replaced, except that the name has been changed. For example, the low-income energy assistance block grant and the social services block grant each contain only one categorical program. Others, such as the alcohol and drug abuse and mental health block grant, so narrowly prescribe precisely how the money is to be spent that the separate programs might just as well not have been combined.

Properly structured, block grants can serve to scale back the entanglement of Federal regulations that sap any effort at efficient or effective Government. They can be used as a vehicle for upgrading service quality while cutting overhead and direct program costs.

This, however, is not what the Federal Government has in mind. As the President told the National Conference of State Legislatures on July 30, 1981:

> The ultimate objective . . . is to use block grants as a bridge leading to the day when you will have not only the responsibility for programs that properly belong at the state level, but you'll have the tax sources now usurped by Washington returned to you—ending that roundtrip of people's money to Washington and back, minus a carrying charge.

Taken at its face value, that statement says that block grants are temporary, and that the States will have to raise taxes to pay for the programs now financed by block grants.

Perhaps block grants should be phased out, in some instances. They may serve as a useful transition tool in transferring certain programs from the Federal Government to State governments. In the case of those programs that serve no national interest, the block grant does provide States with some adjustment time, and that is important.

However, block grants can serve a much larger, permanent role. If defined broadly enough to reflect national interest, they can foster the essential link that allows for a true national safety net, while allowing program administration to remain close to those beingserved. Such mechanism serves the best interests of all the people—taxpayers and service recipients alike.

USE BLOCK GRANTS AND REVENUE SHARING ON PERMANENT BASIS

In summary, I would urge that you consider the use of both block grants and revenue sharing on a permanent basis. Revenue sharing should serve as a tool for creating a financial safety net for the States, to insure that each State has available to it a minimum taxing capacity. This would insure an opportunity to provide at least a minimal level of Government services.

Block grants should be used to provide funding to meet the minimum, nationally set standards for a social safety net. Under this arrangement, the Federal Government would set broad minimum standards, mandate them and fully fund them. The States would tailor the programs to reflect local needs within these national parameters, and would operate the programs.

Such an arrangement could be a major step toward making Government work for the people.

Thank you.

Senator GRASSLEY. Thank you, Ron.

We're going to wait until we go through the entire panel before our questions. Is there any inconvenience to any of you with that?

OK. Gary, would you proceed now, please?

Mr. EVANS. Thank you, Senator.

STATEMENT OF GARY R. EVANS, EXECUTIVE DIRECTOR, CENTRAL IOWA REGIONAL ASSOCIATION OF LOCAL GOVERNMENTS (CIRALG)

Mr. EVANS. I also appreciate the opportunity to be invited here, and the interest you've shown personally in finding out what State and local people think about some of these issues before they're voted on.

My name is Gary Evans, and I am the executive director of the Central Iowa Regional Association of Local Governments [CIRALG].

CIRALG, as our agency is known, is a regional council serving over 80 cities and counties in central Iowa. We, as do similar agencies throughout Iowa and the rest of the country, serve as a forum for local elected officials to get together to discuss issues of common concern, and to work on common solutions. These efforts increase the effectiveness of public dollars spent through cooperative planning and management in program areas, such as, in our case, aging programs, employment and training services, environmental quality, housing, community development, and transportation.

As a regional council, CIRALG also provides staff support for cities and counties whose budgets cannot afford staff specialists on their own payroll. It is on behalf of these cities and counties that I express the following comments and concerns with regard to New Federalism.

TOO EARLY TO CONCLUDE IF NEW FEDERALISM IS A GOOD IDEA

First, let me say that it's too early to conclude whether or not New Federalism is a good idea. Certainly a lot more information is needed than is currently available to any of us. But the concept does warrant a thorough study and assessment of the strengths and capabilities of cities, counties, regional councils and States, as well as the Federal Government.

Following this assessment, the role of each level must be defined. Only then would Congress have enough information to determine if further cuts can be made, where they should be made, and how. Last year, 66 percent of the fiscal year 1982 budget cuts came from the 15 percent of the Federal budget that goes to State and local governments. Those cuts crippled many local governments. This year's proposed cut will destroy the local government infrastructure that will be necessary to an implementation of block grants. The local governments would not have the capability to provide and maintain physical facilities, like roads, sewers, water treatment systems, or human service delivery mechanisms.

If new funding reductions are allowed to further dismantle local capability, the first victims will be the rural areas. Since these are cities and counties that have limited staff, regional councils are often the first line of defense for these communities in preserving their local governmental infrastructure.

With the support of regional councils, rural governments have been able to set their own priorities, determine their own needs, and design efficient programs to meet these identified needs. The technical staff necessary to accomplish these cooperative efforts must be retained if New Federalism is to have a place to go when it leaves Washington.

For example, within the program area we serve, a regional housing authority was created that brought Federal housing for elderly and low-income people. These areas would not otherwise have been eligible to receive the funds.

In a similar manner, the heart of Iowa Regional Transit Agency was created through CIRALG. This is a six-county agency that delivers thousands of rides a year, taking the rural elderly to and from congregate meal sites, to doctors appointments, and other places necessary if these senior citizens are to maintain their place as a productive member of their community.

DRASTIC REDUCTIONS IN FEDERAL FUNDING ARE DIRECT THREAT

However, drastic reductions in Federal funding are a direct threat to the survival of regional councils and the cooperative efforts they represent. Local areas are being faced with a choice of using scarce dollars for maintaining cooperative planning or for "fixing potholes." While both of these needs are important, fixing potholes is immediate and visible, and if enough communities choose to concentrate their resources on these potholes, agencies like ours will not have the capability to maintain the technical staff necessary to meet future needs of these communities.

If block grants are to be implemented successfully, they need to be based on legislation that preserves and builds upon this local capability. Preservation of this infrastructure must be the cornerstone of New Federalism. To destroy the infrastructure, then to pass on the money, would leave the State and local governments with a role comparable to rearranging deck chairs on the *Titanic*. To preserve this capability, I am suggesting that no further cuts be made to that portion of the Federal budget directed toward State and local governments. A stabilization of this portion of the budget would allow for an honest assessment of the impact of current cuts on this local infrastructure, and would preserve the option of sorting out Federal, State and local responsibilities and capabilities. But unless the legislation of New Federalism preserves the physical and administrative infrastructure, and provides for an orderly transition from Washington to those State and local governments, State and local governments are not going to receive new programs; they're only going to inherit the problems and liabilities of the Nation.

Thank you for allowing me this time.

Senator GRASSLEY. Thank you, Gary, your full prepared statement will be included in the record.

[The complete statement follows:]

PREPARED STATEMENT OF GARY R. EVANS, EXECUTIVE DIRECTOR, CENTRAL IOWA REGIONAL ASSOCIATION OF LOCAL GOVERNMENTS (CIRALG)

Mr. Chairman and Members of the Committee: My name is Gary Evans and I am the Executive Director of the Central Iowa Regional Association of Local Governments.

CIRALG, as our agency is known, is a regional council serving over 80 cities and counties in central Iowa. We, as do similar agencies throughout Iowa and the rest of the country, serve as a forum for elected officials to get together to discuss issues of common concern, and to work toward common solutions. These efforts increase the effectiveness of public dollars spent through cooperative planning and management in program areas such as aging programs, employment and training services, environmental quality, housing, community development and transportation. As a regional council CIRALG also provides staff support for cities and counties whose budgets cannot afford staff specialists on their own payroll. It is on behalf of these cities and counties that I express the following comments and concerns with regard to New Federalism:

Let me start by saying it's too early to conclude whether or not New Federalism is a good idea. A lot more information is needed than is currently available. The concept warrants a thorough study and assessment of the strengths and capabilities of cities, counties, regional councils and states, as well as the Federal government. Following this assessment the role of each level must be defined before the plan is implemented. It must be recognized that no local structure of government has the capability to replace federal resources which are rapidly disappearing. As a result of the nation's economic problems state and local governments are already over burdened by the increasing needs of their citizens. As was the case in the last fiscal year, the new proposed federal budget contemplates more significant cuts in the small portion of the federal budget that is passed on to local governments. Last year 66 percent of the fiscal year 1982 budget cuts came from the 15 percent of the budget that is allocated to states and localities. Local government structures are beyond "the trimming fat" stage. If budget cuts were charted on a curve showing efficiency it would show that last year's cuts have taken us up to and beyond the peak and now we are moving rapidly down the other side of peak efficiency. This year's proposed budget cuts will destroy the local governmental infrastructure necessary for efficiency. Local capability to provide for and maintain physical structures like roads, water and sewer treatment systems, and human service structures, have been crippled and in many cases wiped out. The rapid withdrawal of federal funding strands local governments without the capability to maintain the necessary infrastructure. This is especially true in rural areas where government is smaller and the options fewer.

Unfortunately too often rural problems are invisible to Congress. In rural areas there is no loud organized voice to express concern to the decision-makers in Washington. The problems are there, and while they may be proportionately bigger, they don't have the visual or verbal impact of the same problems concentrated in a large urban area. Only by banding together, as we do in a regional council, can the voice of rural areas be heard. The concerns expressed here are based on my knowledge and experience with the communities of central Iowa. I would point out that while none of our members have expressed opposition to changes in the way services are delivered, they are concerned about their ability to maintain the infrastructure necessary for them to provide services they might be called upon to deliver.

If new funding reductions are allowed to further dismantle local capability, the first victims will be rural areas. Since these cities and counties have limited staff, regional councils are often the first line of defense in preserving and retaining a local government infrastructure. With the support of regional councils rural governments have been able to set their own priorities, determine their own needs, and design efficient programs to meet these identified needs. In addition to the advantages of cooperative efforts, a resource pool of technicians that member governments can utilize is available to insure efficient use of tax dollars. This core of technical staff, familiar with the local community problems, and trained to deal with them, must be maintained if New Federalism is to have a place to go when it leaves Washington.

For example, within the area we serve, a Regional Housing Authority was created through CIRALG that brought federal housing for elderly and low income people to rural communities. These areas otherwise would not have been able to receive funds. In a similar manner, the Heart of Iowa Regional Transit Agency was created through CIRALG. This six county agency delivers thousands of rides a year, taking the rural elderly to and from congregate meal sites, doctors appointments and other places necessary for these senior citizens to continue to be a productive part of their community.

However, drastic reductions in federal funding are a direct threat to the survival of regional councils and the cooperative efforts they represent. Local areas are being faced with a choice of using scarce dollars for planning areas for the future or "fixing potholes" now. While both are important needs, one need is visible and immediate. If enough communities choose to concentrate their resources on "potholes," agencies like ours will not have the capability to maintain the technical staff needed for the future.

If New Federalism is to work as it is proposed, it will require an orderly transition, a sequence of events of which budget cutting may be one factor, but certainly not the first step. Systems which need to be counted on to deliver services should not be dismantled as the first step toward New Federalism. Through regional councils local governments have proven track records of working together to use these systems to provide efficient governmental services and to address areawide problems These systems, or infrastructures, whether they are physical assets such as roads, bridges, sewer systems, or planning and social service capabilties, must be maintained.

If block grants are to be implemented successfully, they need to be based on legislation that preserves and builds upon existing local capabilities. Areawide problems, such as transportation, sewer and water, and services to the elderly and unemployed, will continue to rain down upon communities. In the past regional councils have served as the umbrella used by city councils and county boards to bring resources to bear on the locally identified needs. If this mechanism for local cooperation is removed, many elected officials and possibly their communities could get washed away in the flood of unmet needs. Preservation of this infrastructure must be the cornerstone of New Federalism. To destroy the infrastructure, then to pass on the money, would leave local governments with a role comparable to rearranging deck chairs on the Titanic. The barometer for the success or failure of New Federalism will be the rural areas. The survival of the rural way of life could easily be threatened if the legislation governing New Federalism does not reflect rural needs and preserve rural capabilities.

I am suggesting that no further cuts be made to that portion of the federal budget directed toward state and local governments. A stabilization of this portion of the budget will allow for an assessment of the impact of current cuts on local infrastructure, and would preserve the option of sorting out federal, state and local responsibilities and capabilities. Unless the legislation of New Federalism provides for an orderly transition and a mechanism that reserves the physical and administrative infrastructure, state and local governments will not receive new programs, they will only inherit the problems and liabilities of the nation.

I will be happy to answer any questions that you may have.

Senator GRASSLEY. Shirley.

STATEMENT OF SHIRLEY BAIRD, DIRECTOR, AREA XV AGENCY ON AGING, SOUTHERN IOWA ECONOMIC DEVELOPMENT ASSOCIATION

Ms. BAIRD. Senator Grassley, it's an honor to be able to come here and speak to you.

I'd like to explain to you a little bit about the Aging Network. This network plans, coordinates and administers services to the elderly. This network was established, as you know, by the Older Americans Act of 1965.

Since the first Older Americans Act, this Aging Network, through its 665 area agencies on aging, have been delivering services and developing programs to meet the needs of the older citizens. This unique act allows both urban and rural communities to develop their own programs.

In Iowa, this network consists of the Iowa Commission on the Aging and 13 area agencies on aging. It is through this network that the 515,000 older Iowans are served.

Of the $18 million spent annually through the Iowa Commission on the Aging for services to the older Iowans, 65 percent of this is Federal dollars, 7 percent are local funds, 7 percent are State funds, 3 percent is noncash in kind, as they call it—and 18 percent of these dollars are from the elderly as contributions for the program.

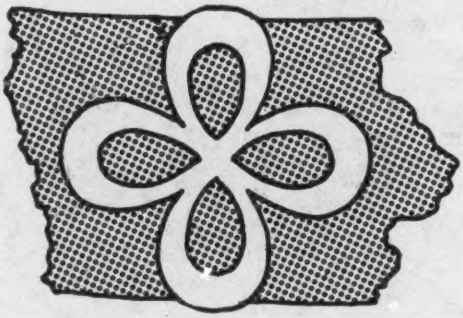
The Iowa Association of Area Agencies on Aging and the Iowa Commission on the Aging have developed a pamphlet. This pamphlet describes all the units of services, the funding sources, a diagram of the network here in Iowa, and I would like to request that this become part of the official record.

Senator **Grassley**. So ordered.

[The following was received for the record:]

IOWA

a place to grow

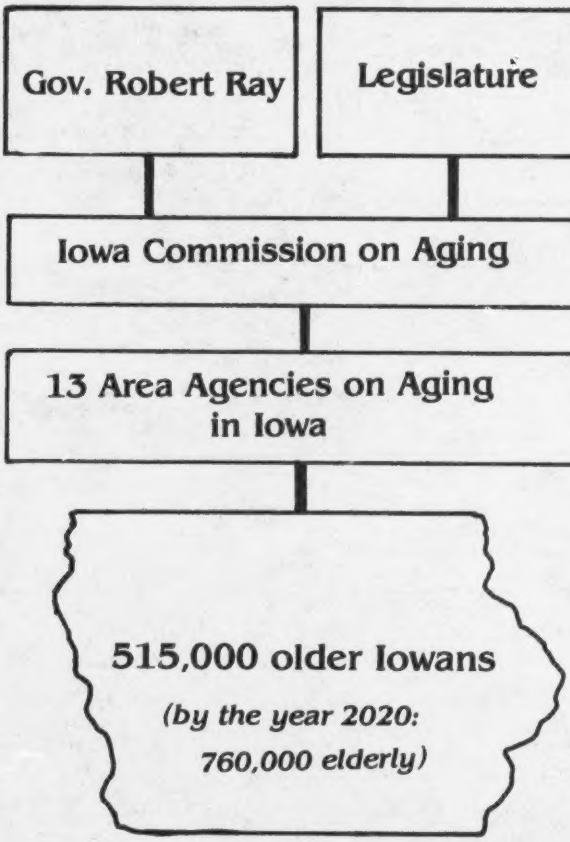


and
a good place
to grow older

assisted by
Iowa Association of Area
Agencies on Aging
and the
Iowa Commission on Aging

Iowa's Aging Programs F.Y. '81	Units of Service	Costs
Nutrition Services		$9,340,457
Congregate meals	2,565,162 meals	
Home-delivered meals	620,397 meals	
Shopping assistance	13,756 trips	
Education	32,958 hours	
Access Services		$3,011,939
Transportation	1,096,451 rides	
I & R/Outreach	413,436 contacts	
Public information	144 newsletter editions	
Legal Services		$249,936
	28,644 contacts	
	9,037 hours	
In-Home Services		$3,209,101
CHORE	12,152 contacts	
Homemaker/Health	12,097 contacts	
Visiting/telephoning	107,947 contacts	
Day care	1,282 clients	
Home repair	767 clients	
Winterization	1,796 clients	
Home access	186 clients	
Senior Center Development		$413,409
	11 centers	
Senior Employment		$667,290
	157 senior workers	
Other Programs	N/A	$530,026
Admin./Services Mgt.	N/A	$1,447,729
TOTAL		**$18,869,887**

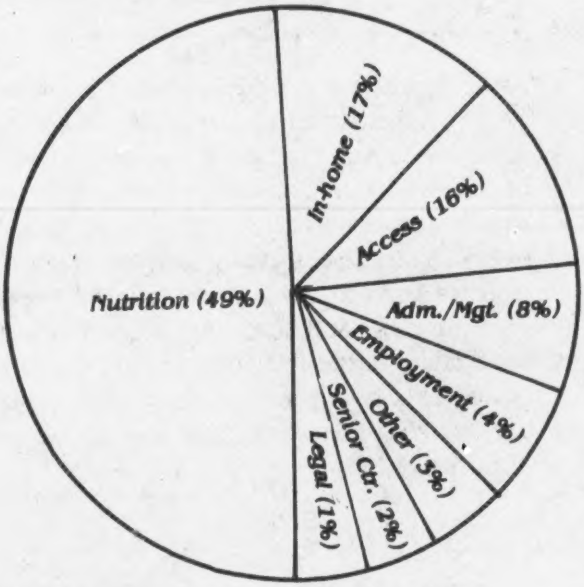
Iowa's *Aging Network*


Gov. Robert Ray
Legislature
Iowa Commission on Aging
13 Area Agencies on Aging in Iowa
515,000 older Iowans
(by the year 2020: 760,000 elderly)

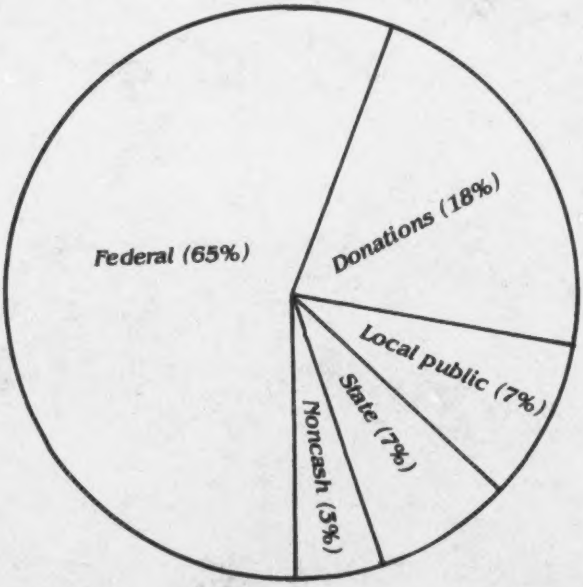
Area Agency on Aging: *Funding Sources*

1. Elderly donations	$3,332,705
2. State funds	$1,354,949
3. Local public funds	$1,307,084
4. USDA cash/commodities (federal)	$1,411,281
5. Other (federal)	$1,940,121
6. Older American Act funds (federal)	$8,856,571
7. Non-cash (recorded)	667,176
Total	**$18,869,887**

Programs & Services



Funding Sources



Area Agencies on Aging: What are they? What do they do?

Area Agencies on Aging are the result of 1973 amendments to the 1965 Older Americans Act. There are approximately 600 of them across the nation. They are part of what's known as the *aging network*. This network includes the Administration on Aging (AoA) at the federal level, State Units on Aging in each state, Area Agencies at the local level, and such other public and private agencies as senior centers and nutrition project sites, working together to serve the nation's elderly.

To contact the Area Agency on Aging in your district, please call or write:
the Iowa Commission on Aging
415 10th Street
Des Moines, Iowa 50319
or call: 515/281-5187

Printing & Graphics

ACT ALLOWS GREAT DEAL OF LOCAL INPUT

Ms. **Baird**. The Older Americans Act of 1965 allows a great deal of local input. As a result of that, programs for the elderly have become a priority within all the local communities. There are 104 multipurpose senior centers here in the State, and 271 congregate sites.

Also here in the State there are a number of services being delivered by other agencies to help keep the seniors independent in their own homes. Some of these services have been alluded to by other panelists, such as transportation, housing assistance, energy assistance, the weatherization program, and numerous others. All of these are going to be part of the Federal block grant program, and we feel that it's very, very important that we continue these services for the elderly.

The cooperation presently existing between the agencies here in this State is to be commended. There are a number of agencies across the State of Iowa who have cooperatively developed programs jointly, with two or three funding sources. I believe it's important that you realize that we all have one goal in mind, and that is to serve the older citizens of Iowa. I do not feel that reinventing the wheel is going to enhance our programs.

For example, the Southern Iowa Economic Development Association/Area XV Regional Planning Commission is the grantee for the Area XV Agency on Aging. They also have under their umbrella the transportation program, energy assistance, drug and alcohol, and homemaker services. And it also has a regional planning commission. All of these help to coordinate the delivery of services in our area.

It has been SIEDA/RPC policy to develop programs for the elderly from its inception in 1966.

In conclusion, I have previously outlined the network presently established at the State area and local levels, and this network is capably delivering the human services to the elderly here in the State of Iowa. I feel that we should strive to incorporate more of the elderly oriented services, such as the senior employment program, into the local agency system that's been referred to, thus allowing more wages to go for enrollees, and less dollars spent for administrative costs.

Through the Older Americans Act of 1965, the elderly are offered the opportunity to help themselves and others, without the restriction of stringent Federal regulations. We've proven this system of networking is a viable system, and I think it could be used as a model for other services.

It is also important to assure that Federal block grant funding for other programs like these will be continued.

I'd like to repeat: Let's not reinvent the wheel. Let's continue the way we're going.

Thank you for this opportunity.

Senator **Grassley**. Thank you.

Mr. Davis?

Mr. **Davis**. Thank you, Senator, for the invitation to speak on the Federal block grants and revenue sharing.

STATEMENT OF HARVEY DAVIS, MATURA ACTION CORPORATION, CRESTON, IOWA

Mr. DAVIS. Past experience has shown that unless block grants are specifically designated for a certain purpose they will turn to hardware, cement, and machines. General revenue sharing formed tendencies to this end, especially in the rural area. All recipients of general revenue sharing did not react to the pressure of brick and cement, and tractors and trucks. But human service programs received a very small portion of the money that was turned back to the State and county level.

ENACT COMMUNITY SERVICE BLOCK GRANT

Since Congress is releasing its control over the money that has been appropriated for human service programs, we think that a format like the community service block grant should be enacted. This would have Congress put emphasis on the human side of life, and also give local people control of their program.

There are 19 community action agencies in Iowa. All the counties in the State are affiliated with a community action agency. Almost all the community action agencies have been in existence 15 to 16 years.

The size of the governing board may vary depending on the geography—number of counties—and the bylaw structure of the boards. In all community action agencies the elected officials—county board of supervisors or their selected representatives—comprise one-third of the board structure, at least one-third of the board is low-income participants or representatives of the agency's programs, and the remainder of the board is composed of people in the community; for example, business, industry, clergy, labor, private, welfare, or educational organizations.

This is grass roots at its best.

During the past 16 years in Iowa, community action agencies were funded directly from the Federal Government, with no pass through from the States. The above statement refers to the funding of the Office of Economic Opportunity and, more recently, the replacement of OEO—the Community Service Administration. Technical advice and monitoring were provided by the State and Federal governments difficult for staff to keep pace with the pay raises given in the private Administration.

Funding provided by OEO/CSA was the base money that kept the agencies functioning at the minimum level. It provided the focal point for all of the communities' programs through Outreach and the neighborhood centers. For many years the community action agencies have been faced with declining funding, and have found it extremely difficult for staff to keep pace wth the pay raises given in the private sector.

COMMUNITY ACTION AGENCIES HAVE PROVEN TRACK RECORD

In spite of the adversity, the community action agencies in Iowa have a proven track record with the programs that they have been able to initiate. Due to the local governing board perceiving different needs of concerned citizens, community action agencies are able to write operational and performance contracts with a multitude of different agencies and corporations.

Iowa community action directors offer the attachment A [1] as a refence for you to study. The study pictures the magnitude of the excellent job the community action agencies have performed. It also portrays the devastating loss that is being placed upon the recipients of the programs.

In just one instance, due to the cutback in the youth program moneys at MATURA Action Corporation, 75 low-income youth lost the opportunity to find out what it feels like to work and what it feels like to make a contribution to the community.

I am also using individual agency material that I have received for this presentation, as attachments. Although not all the agencies are represented, this will give insight to the high performance set by the community action agencies in our State. I think you will perceive that the funding that is passed on to the State should be a community service block grant, and it should be noted that the community agencies should be the presumptive sponsor. The funding should be at the level of $348 million, which is substantially less than the original proposed in the reconciliation bill of the community service block grant.

The community service block grant as drafted by Congress has made the transition rather smoothly. There was some difficulty with pass through of money from OMB-Treasury to the Health and Human Services, and then to the State of Iowa.

PROGRAM FLEXIBILITY DEPENDS ON STATE FLEXIBILITY

The flexibility of the program will depend on the flexibility of the State, and also, as Michael said, we need flexibility at the Federal level also.

The community action agencies have a high degree of accountability both in fiscal and programmatic management. The State of Iowa does have a reputation for implementing good programs, so we can assume that the flexibility and initiative will be available to the community action agencies.

During the past, the 19 community action agencies contracted for 244-plus projects, through 9 different Federal agencies. Additionally, the 19 community action agencies contracted for 12 projects with 5 different State agencies, and at the local level, contracts were written with numerous conservation commissions.

I would like to see the community development block grants funded at the same level and through the same process. The cities and counties need this incentive. This will help with the development of the communities that, in turn, will help with employment for people.

I would also prefer the WIC program be funded by the Department of Agriculture and, as in Iowa, it could be contracted to the health department and to the community action agencies, and not be replaced with block grants.

In MATURA's area, there are 17 small communities that have a low tax base and need help from other resources. MATURA has realized that the Midwest assistance program is able to give these towns the assistance they need with sewer and water problems. Collaboration with the COG's is a high priority in this area.

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[1] See p. 81.

The material in all of the above demonstrates the affirmative viability of the community action agencies. For 16 years, they have provided a valuable resource for the communities, operating programs over a wide spectrum, from economic development to domestic violence.

COMMUNITY ACTION AGENCIES NEED FUND OF $348 MILLION

One caveat should be made: community action agencies need to be funded at $348 million by the Federal Government in order that they may maintain the flexibility to serve the people of the communities. As you well know, the administration has proposed $100 million, and this is not realistic.

Bills have been filed with the Senate and the House of Representatives in the State of Iowa to assure the continuation of human service programs delivered by the community action agencies, and you see them in attachment B.[1]

Community action agencies in Iowa are unique organizations. They are grassroots. If they are not funded, there is not an agency that can fill the gap in the State of Iowa for the poor and the elderly, and the youth will fall by the wayside.

Thank you, Senator.

I would like to call your attention to attachment A, and refer back to page 3 of that—pages 3 and 4—that shows the large number of activities, and you'll note that there's nearly a $204,000 loss if the $348 million is not granted.

Senator **Grassley**. Thank you, Harvey.

Well, before I ask—I have something I want to ask all of you, but before I do that, I want to thank you for your testimony.

We did, as we desired—but you can't always anticipate everything working out the way you want it to—we did get a different view from each of you. Hardly any of your testimony was right down the same line and, obviously, we have those views to consider in reaching a compromise in the process of legislating. You all know that, as well.

I guess I'd, first of all, like to ask Ron if you have any feeling about—wait a minute. I thought I made a note here, that I wanted to ask him something that I didn't have typed out.

Well, anyway, I may think of that again.

The fiscal demands and accountability required of State and local governments stand a more stern test in cashing resource return checks from Washington. Therefore, I'd like to have your views on whether cutting, rather than sharing, Federal taxes, would be a better idea from your point of view as a State comptroller. And if that isn't clear, I can state it again, another way.

Mr. **Mosher**. Let me try and see if I get to the question you're asking.

GET RESPONSIBILITIES TO RIGHT PARTIES

I think that there are responsibilities that clearly belong to the States, and in many cases are currently being funded by the Federal

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[1] See p. 119.

Government, and there are responsibilities that clearly belong to the Federal Government which, in many cases, are now being partially or fully funded by the States. I think there's a need to look at what we're trying to do, and to get the responsibilities to the right parties. If it's a State responsibility, we ought to raise the taxes to fund it; if it's not, then the appropriate party ought to.

I think the programs are most effectively managed as close to the recipient as possible. I think only rarely should the Federal Government be involved in directly managing operating programs—a domestic kind of program, that is other than an interstate activity.

I think activities that take place within the State generally ought to be operated by either the local government involved, or perhaps, at the highest level, at the State level. I think the States currently operate many of the so-called Federal programs. Medicaid, for example, is operated at the State level, administered at the State level. AFDC, which is another expensive program, which is currently being discussed under New Federalism, is currently administered by the State.

I think the States have demonstrated in the past the capability of administering those programs. I think we could administer them ever so much more effectively if we could do so without the constraints of the tremendous amount of Federal regulations that we now try to manage within.

I do think, however, as I said, that if there is a national interest to be protected, that the States, individually, do not have the ability to establish that level of national interest; that's an appropriate responsibility for the U.S. Congress and for the Federal Government.

I think, however, when that standard is set nationally, that there's a responsibility for paying for it that goes with it. I think the person who sets the responsibility ought to pay for that responsibility.

LET STATES TAILOR PROGRAMS WITHIN FEDERAL FRAMEWORKS

So, in summary, I believe there are very appropriate cases where the Federal Government ought to establish the ground rules, or a minimum national standard, and ought to serve as the banker and say, "This is what you have to do in the national interest, and here is the money to do it with." Beyond that, I think the States ought to have the administrative responsibility and ought to be able to specifically tailor local programs within those Federal frameworks, to achieve their purposes.

Senator GRASSLEY. Well, as you view, in your perception, Federal standards and Federal requirements and all that, to get to your point, would you see that as just a little bit of change of national policy, or quite a dramatic change of national policy?

Mr. MOSHER. I would see it has a very dramatic change. One of the things that concerns me is that, while I think block grants are a very good device in certain instances, it's clearly the intent of the current Federal administration to use block grants only temporarily, and I think they do have a permanent purpose in some instances.

Senator GRASSLEY. Well, thank you for that.

I guess now, after that summation, I feel a little more comfortable with what you said. And maybe I shouldn't have felt uncomfortable in the first instance, but I was trying to sort out where you thought we should be, from where we are. Thank you very much for that contribution.

Could I ask the indulgence of the members of the panel, because Senator Berl Priebe has time constraints—could you wait for me to finish asking you questions, while we hear Senator Berl Priebe's testimony?

OK. Senator, would you come up?

This is Senator Berl Priebe from Algona, a person that I have learned to respect very much. He's been a Democratic leader in the legislature for a long period of time, and a person that I served with about 10 of the 16 years that I served in the Iowa Legislature.

We appreciate your coming away from your busy schedule, to share with us your ideas on this general subject. So it's all right if you proceed, and I'd ask that you would.

Senator **Priebe.** Thank you, Charlie. We're working on the tax bill upstairs, and I do apologize for asking to be moved up, but we're trying to straighten out the mistakes you made in Washington. [Laughter.]

That's not part of the testimony.

Senator **Grassley.** It's just a fact; is that what you're saying? [Laughter.]

Senator **Priebe.** I'll read mine, and then I will go back, because I do have—the ways and means committee is in committee, and they're trying to adopt some amendments, and I do apologize to anyone whom I moved ahead of here, but I do think it is important that I be back there.

STATEMENT OF HON. BERL E. PRIEBE, IOWA STATE SENATOR, ALGONA, IOWA

Senator **Priebe.** The concept of block grants, giving more responsibility and revenue opportunities to the State, rather than Federal Government, is a good one. For too long, our citizens and our policymakers have been confused about which level of government is responsible for what programs.

FEDERAL GOVERNMENT TOO REMOTE TO UNDERSTAND LOCAL NEEDS

There has also been the problem of a real feeling on the part of many of us that the Federal Government, for all its good intentions, is just too remote out in Washington to understand our local needs.

I, too, have felt that we people here in Iowa can provide for the needs of our people more cheaply and efficiently than Washington, in many cases.

As I look over what has happened recently with President Reagan's initiatives, however, I'm beginning to fear that the good points of the block grant idea are going to be lost in the shuffle, and are just being used as another one of David Stockman's trojan horses.

A fair test of the merit of the block grant idea is not going to happen if things keep going the way they have been. I don't want to see this idea killed by the way it's currently being presented.

The way existing block grants have gone shows some of the problems we have with the program. Under most of the block grants that have been implemented to date, our State has not been able to plan well to get the programs going. There are several reasons for this problem.

TARGET OF FEDERAL FUNDING CHANGING ALL THE TIME

First and foremost, we have struggled with the problem of trying to hit a target of Federal funding that is changing all the time. We don't mind taking responsibility when we know how much money we're getting, and can plan on what to do, but that just hasn't worked out.

This problem was complicated by the fact that the decision on whether or not the block grants would be accepted by the State was settled between the Governor and the Federal officials in October, when the legislative wasn't in session.

We legislators tried to deal with the problems we anticipated with the Federal budget process this year by passing our SF 563 set-aside, and it did help; but I still don't think the process went the way it should.

I hope the Congress will prove to be more sensitive in the coming year to the implementation problems we face at the State level. If you really want to work in a partnership with the States to make the block grant concept work, you had better give us firm guidelines, especially timetables, and funding to let us plan well and make sure we can take care of our people's needs. Don't slash the funding an unreasonable amount, don't keep changing your mind throughout a budget year, and don't expect us to implement programs without adequate lead time to prepare.

Though I've been in the legislature for a few years, I'm far from an expert on every program in the State. But I know that my colleagues who do specialize in certain areas are worried.

Let me give you some specific examples of problems.

Our Senator Gratias, at a hearing this week with a representative from OMB, summed up the education block grant—his area is education, and he is our committee chair—as "not really that good. The locals get the money, the State gets increased responsibility, and the Federal Government still has lots of responsibility and too much control."

SUSPICIOUS OF REAL INTENTION BEHIND BLOCK GRANTS

What does it help to reduce the Federal regulations by 1,000 pages if you still mandate what can and cannot be done?

Now, I did like the fact that the funding for the education block grant was not cut unreasonably from last year. I liked the idea that we'd have a State education block grant advisory committee. And I liked the idea that it wouldn't start until July, when we could have time to look it over. But when Senator Gratias, who is knowledgeable in education matters—and a Republican—tells me the whole thing doesn't amount to too much change, I have to wonder if anything is really being accomplished anywhere.

In that same meeting with OMB, Ed Stanek, who heads our office of planning and programing, shared his preliminary analysis of the 1983 community services block grant funding proposal by the President. Stanek reported a 70-percent cut in the funds for this block grant—only 1 year after its beginning.

It's this kind of Federal proposal that makes us even more suspicious of the real intention behind block grants. If they are to be used as a trojan horse, to shift responsibility to the States, and then almost immediately have the funds withdrawn, leaving us to pick up the tab, then you'll find some of our enthusiasm for the block grants fading.

Our senate appropriations chair, John Murray—another Republican—has made the point that in the early stages of the block grant discussion, Federal and administration officials were talking about a cut of 5 to 8 percent in funding for programs consolidated in block grants. That would have been fine; we would have found ways to save the money necessary, and still continue programs in our State.

What really happened, though, were abrupt changes, and at levels of cuts three times what we expected at first. If this pattern continues, many of us will be very slow to jump on the bandwagon of more block grants for 1983.

DON'T LOOK AT BLOCK GRANTS IN A VACUUM

Let me now expand the focus a bit. You know, we really shouldn't look at block grants in a vacuum. Right now, there are a lot of changes in Federal programs proposed that affect us here at the State level, that have a lot to do with our flexibility with block grants.

First of all, you in Washington have had an impact on our State and citizens by the various 1982 budgets you've approved. Iowa will lose at least $191 million in funds and $255 million in loans, from Federal budget cuts to date. While not all of that is bad, it does mean that the flexibility we hoped for in the transition to block grants is real tough, coming at a time of massive budget cuts.

While we don't have all the specifics of the President's 1983 budget proposal yet, what we've learned about it so far leads most of us to believe things aren't going to get better or more flexible for those of us left at the State level trying to hold things together.

Worst of all, I have some serious reservations about what we are told of the New Federalism swap and turnback programs. I have serious difficulty believing OMB statistics, showing Iowa to come out ahead on the trade of medicaid for food stamps and AFDC, especially since statistics show the last 3 years have seen Federal medicaid costs jump 54 percent, and the other two programs 63 percent.

When I found out that the OMB also figured in a 1984 inflation rate of 4 percent, and a 1984 unemployment rate of 5.5 percent, into their calculation showing Iowa to come out ahead on the swap, I really got suspicious. I'd like to think they were right, but I can't, and I fear we are going to get led down the primrose path on this.

The President's turnback program doesn't look much better from the State's perspective, either. It looks to me like about $415 million in programs given to Iowa, with only $330 million in trust to pay for them. If the Congress intends to go along with these proposals, I hope you make sure the trust fund payments are equalized with the turnbacks we get, and the swap numbers get straightened out.

I'm also concerned what's going to happen when the $28 billion trust fund is phased out. What will be its economic impact on our State government and our people?

All these things make up the big picture of what we face at the State level ,and I hope they give you a picture of why even those of us who hope the block grant concept will be given a fair try, are leery of the way things are going. We must deal with all these things at the same time as we deal with block grants. They are not separate issues to us.

The block grant idea can be a good one. Please give it a chance to work, by being honest in your projections and giving us time to get things going. If we, in Iowa, are treated fairly, we believe we can do the job that needs to be done. We hope you'll give us a fair chance; but some of us really fear for the worst.

I thank you, Senator Grassley, and apologize for having to leave

Senator GRASSLEY. Can you wait for a question or two?

Senator PRIEBE. Sure.

FREEZE OF APPROPRIATIONS HAS MERIT

Senator GRASSLEY. Because I do want to ask you, first of all, not only as a friend of mine but also from your standpoint as a State legislator, and particularly since you have trouble, as you've suggested in your remarks here, predicting what a State might get or might not get, because of when Congress makes its decisions, do you have any feel on the proposal that I'm making—or even a member of your party, partly made—Senator Hollings, from South Carolina—on the freeze of appropriations for 1983 at the 1982 level? Whereby it would have the aspect of your being able to know early on what level of funding Iowa would get.

Senator PRIEBE. Well, it certainly has merit in the fact that we would at least know the figure. I think that is very good. I do support the concept of at least knowing ahead of time. It's always tough to come in, in July or August, or September or October, and then receive another cut because of some lack of funding. And having chaired the social services budget for 4 years, I'm probably more aware of it than some other people, because I realize immediately what this does to us.

But I think that's an excellent way to go, in at least giving us a target we can shoot at.

BLOCK GRANTS MOST ACCEPTABLE APPROACH

Senator GRASSLEY. OK. And then, do you have any feeling, too, about the alternatives of categorical grants, block grants, or the term we now use, "swaps," of total separation of Federal and State overlap, the Federal Government taking over some, and States taking over the others? Of those approaches that we presently have, block grants, or the swaps, what do you personally feel would be the most acceptable from your point of view?

Senator PRIEBE. Well, like I said in here, I'd like to see block grants work. I have no problem with the swap, if we have time to implement it, and if we don't end up with a tremendous responsibility passed to us—and I think I touched on that, with the fact that where we had the 5-percent unemployment rate in Iowa and also a 4-percent rate of inflation, these are things that bother me. If the swaps come about, and if the figures are accurate, then I think we can probably live with it. We'll at least try.

Senator **Grassley**. Well, of course, the President anticipates—and it sounds reasonable—to do this over an 8-year period of time. You know, there would be some phase-in and phase-out, to test your theory of whether a swap completes not only a program, but a source of revenue as well.

Senator **Priebe**. That's true. That's where we're talking about the $28 billion, and at the end of the 8 years, if the $28 billion is completely phased out, let's hope that we have a turnaround in our economy so that at least State revenue is increasing, so that we can assume that. Because 8 years right now seems like a long time, but having served down here for 14, I know it rolls around awfully fast. And a problem I have with the President's proposal is, at the end of 8 years when the $28 billion trust fund is gone, I want to be sure that we have the revenue to pick it up here at the State level.

Senator **Grassley**. Well, the only place where we've seen some disagreement is the fact that there's only 2 cents of the 4 cents of the gasoline tax turned back. We haven't found too many people questioning on the other taxes that we were suggesting be turned back.

Thank you very much.

Senator **Priebe**. Well, I thank you, and good luck.

Senator **Grassley**. Thank you.

I'd like to introduce to the audience, Senator Yenger from Ottumwa, whom we also asked to testify.

I didn't have the opportunity to serve in the Senate with Senator Yenger, because she came after I went to Congress, but I do know how closely she's tried to work with us in Washington on our cooperative administering of State and Federal programs. She has an intense interest not only in seeing that the State taxpayers' dollars are well spent, but also that we administer Federal taxpayers' dollars in the same manner.

So, would you proceed?

STATEMENT OF HON. SUE YENGER, IOWA STATE SENATOR, OTTUMWA, IOWA

Senator **Yenger**. Thank you, Senator Grassley, for inviting me to participate in today's hearing. I am pleased that I have been asked to share my opinions about the advantages and the disadvantages of Federal block grants and revenue sharing.

In preparation for today's hearing, I held a public hearing of my own in my district, in Ottumwa. I heard from those representing provider groups and also individual citizens. I was deeply impressed by the amount of thought that went into their comments, and I have attached copies of their records as part of my written statement.[1]

It was the consensus of those present at my hearing that control of many domestic programs by the Federal Government can be very beneficial, that it allows for continuity among States. I must admit that those issues concern me also, but I do have faith in the capability of the Iowa Legislature to design the best programs for its citizens.

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[1] The attachments have been retained.

As chairperson of the Appropriations Subcommittee on Human Resources, I can tell you firsthand how difficult it is to understand the current complex system of Federal grants-in-aid. Therefore, I was excited about President Reagan's proposal to establish block grants for Federal fiscal year 1982. I am pleased that Iowa chose to accept all available block grants, and if it hadn't been for the foresight of the Iowa Legislature during the past session, we wouldn't have been in any position to act so quickly.

Senate file 563 established a mechanism to allow for the acceptance of any authorized block grant, and provided for a mechanism to allow those funds to be spent in a manner that was consistent with current procedure. This bill has been hailed by many others as a fine example of foresight and advance planning.

LEGISLATURE FACING TOUGH DECISIONS

The Iowa Legislature is facing tough decisions. We are experiencing an economic crisis in Iowa. During the past several years, we have seen a drop in the State's receipts, from a 10.1-percent growth rate in fiscal year 1980 to only 1.6-percent growth rate projected for fiscal year 1982. Likewise, we have made even more severe reductions in expenditures.

Expenditures growth rates have declined from a 10.5-percent growth factor in fiscal year 1980 to 0.38 percent in fiscal year 1981, to 1.9 percent in fiscal year 1982. But even with this severe reduction in expenditures, the State has not cut back their financial commitments to local governments.

Our municipal assistance fund is at $13.9 million for fiscal 1982, and $14.6 million in fiscal 1983, and the county aassistance fund is at $5.1 million for fiscal year 1982 and $5.3 million for fiscal year 1983. These funds are our own version of revenue sharing.

The last year that Iowa received State revenue sharing was in fiscal year 1980. At that time, the State received $29.1 million. The State used their share to cover the State's costs to the homestead exemption tax credit and the agricultural land credit tax credit. Those property tax relief measures were not abandoned because of the end of State revenue sharing. The costs were absorbed by the general fund.

Iowa continues to export more Federal tax dollars than it receives in benefits from the Federal grants-in-aid system. For every dollar of Federal aid Iowa receives, it has paid $1.13. Iowa is, therefore, a State that is supporting Federal support for other States.

As you could clearly see, the Iowa Legislature manages its resources responsibility, takes care of its own and even helps support aid to other States. The least the Federal Government can do for us at this point is allow us the flexibility at the State level to use Federal moneys in the best way for Iowans.

Block grants in their pure form carry few, if any, strings or regulations. The nine block grants that we have received are not pure block grants. They carry many restrictions still, but they are better than the previous categorical programs.

I am concerned, however, that the block grant mechanism will be used to help cut the Federal budget's outlays for domestic programs. I agree that the Federal deficit must be reduced, and Federal spending must be curbed. But all Federal spending must be reduced, not just domestic expenditures.

THINGS TO MAKE IMPLEMENTATION PROCESS SMOOTHER

There are several things that Congress can do to make the implementation process smoother. They are:

To deal closely in an information-dissemination network, not only with State executive branches, but also with the State legislatures. Too often in the past, Congress has directed only the involvement of Governors. State legislatures must be recognized as viable partners with Congress in this new era of federalism.

DELAY IMPLEMENTATION OF LAWS

Also, there is a timing problem. When Congress makes decisions that become effective several months later, that leaves no time for State legislatures to plan. Congress needs to make decisions with an implementation date up to 1 year later, to allow for an orderly transition period.

Also, Congress must pass appropriations bills by October 1 of each year. For the States to operate under continuing resolutions of only weeks and months at a time, makes it impossible to plan effectively. Every year, State legislatures must make tough spending decisions; they do not have the luxury of continuing resolutions. Congress must begin to deal in the same method.

Senator Grassley, once again, thank you for this opportunity.

Senator **Grassley**. Thank you.

It is fair to assume, by way of summary, that these attachments that you have from your public hearing, that there's considerable disagreement between your view and those who testified at your public hearing?

Senator **Yenger**. They were in general agreement that there must be some control at the top level. That seemed to be the general consensus. But they also recognized that we have the problem that Government has become too big on the Federal level, and we had to change our method of doing things.

But they were quite apprehensive of the method we are now negotiating.

Senator **Grassley**. OK. In other words, is it the whole concept of even block grants, or moving beyond block grants, that their apprehension comes from?

Senator **Yenger**. Yes. And the fact that the sister States could become very much competitive, perhaps in the line of welfare grants, perhaps one State making assistance programs a little better and seeing a migration to that State, or perhaps more migration to the Southern States for job opportunities. They felt that possibly this is something that could happen.

REGIONAL WELFARE DISPARITIES LESS NOW THAN YEARS AGO

Senator **Grassley**. I think a dialog on this subject will shed some light on those various problems. For instance, now there is a more even distribution—although not totally even—but I mean the disparities from one region of the country aren't as great now as they were 25, 30 years ago, when these programs were set up to take care of this problem. Also, there will probably be some maintenance-of-effort requirement as these programs, at least initially, are going through their transition stage from the Federal Government to the State governments. I suppose it's possible that that maintenance of effort could be maintained even for a longer period of time, but at least initially, during the phasein period of time, and the Federal involvement of funding, there'll be not only a lever to accomplish that, but also a responsibility to do that.

Then I'd like to also comment—and I'll say this is an apology not only from me, but it should be an apology from both conservative and liberal Members of the Congress—that we did not follow through with the necessary and legitimate reduction of regulations that we should have, as Federal funding had a smaller increase last time than what it would have had under what we call "current services level of expenditures." And we need to continue that process. Now that there is less money coming back to the States, it's more necessary. It just didn't happen, but we aren't—at least from my standpoint—we aren't giving up on that goal, because it's not only a necessary and legitimate goal—I should say it this way: It's not only a legitimate goal, but it's also a necessary part of the lower level of funding.

I have no further questions. Thank you very much.

Now I'll go to Gary. I wanted to ask you—well, first of all, I guess I wanted to ask Gary and Shirley and Harvey the same thing. Is it kind of your feeling that when you go to block grants, or even a more pure separation of power between Washington and the States, that the organizations that you're concerned with and that you've worked with, that are part of the infrastructure of helping local governments to carry out their responsibilities, that these would not be kept intact by the States, if they had the leeway to do that?

RAPID REDUCTION IN FUNDING IS BIG CONCERN

Mr. **Evans**. I think in our particular State we're very fortunate. I think the State would. My biggest concern was the rapid reduction in funding, without giving the State the time and the capability to phase it into another process so that it can be maintained.

Senator **Grassley**. So you see it not as a political decision that would annihilate your structure, but just not the funds available to keep it going, and it would be lost and never would be recaptured?

Mr. **Evans**. There is a rapid reduction right now in funding. We're losing experienced staff, that will probably be gone if there is new money available, and we'll have to build from scratch.

On the physical planning side, with the sewer systems and things like that, the capability is being pulled out, and the communities, if their water goes bad, are not going to have the resource to go to. The State doesn't have the mechanism right now. Locally, a city of 200 isn't going to be able to afford a new water system; and federally, it's being pulled away. So it's that kind of a concern. It's more of time. We shouldn't cut now. We should look around now and see what we want to save, preserve it, and then sort out these goals, and then maybe there might be room for some cuts, and then a gradual, orderly shift to the States.

Senator GRASSLAY. OK. I'll ask you to comment, but I wanted to say, with regard to Shirley, as I recall from initial discussions, the Older Americans Act will probably not be affected quite so much. Am I right on that?

Mr. CONROY. Yes.

BLOCK GRANT PROGRAM COULD HAVE IMPACT ON OLDER AMERICANS ACT

Ms. BAIRD. Yes. I want to emphasize that we don't want it changed, because we think it's a good system the way it is now. But you have to realize that the Federal block grant program could have quite an impact on the Older Americans Act, because other agencies are supplying services to the senior citizens, and they're services that the Older Americans Act does not have the funds to give them, for such things as transportation, homemakers service, and all those things like that.

So I think it's important that you realize that it would have an effect on these services that we're allowed to deliver, also.

Senator GRASSLEY. OK. It might affect the services, but do you see it—I think my question was more along this line: Would it affect the infrastructure of the network that's been built up? Would it hurt its delivery capability?

Ms. BAIRD. No, I don't think it would. And I believe that there's a lot of coordination going on at the present time between agencies here in this State, all over the State, and I believe it could be developed.

I really would like to emphasize that the elderly not have to compete for highway pavement, rock for roads, and things like that. I think that's probably something that's going to happen, because the elderly services will be the ones that will suffer.

Senator GRASSLEY. To some extent, though, even at the Federal level, if Congress decides a total budget, senior citizens are competing with at least interstate highways, and competing with housing, and things like that; it's just on a little higher level.

Harvey, would you like to—or would you respond to my comment, please?

Mr. DAVIS. Well, Senator Priebe mentioned that Mr. Stanek says that there's going to be a proposed 70-percent reduction in community services block grants. If that is accurate, then the community action agencies in the State of Iowa cannot stand that kind of a cut. We appreciated the fact that we were lined up for $368 million, and took a 4-percent cut with everybody else and ended up with $348 million.

The infrastructure in the State of Iowa, the way it stands now, with us being under the auspices of planning and programing, with the option of the counties saying that the community action agency is our organization, we will go with it, I think that has a viable and interesting concept. In fact, when CSA was alive, we were the only agency—well, let me put it on the blackboard—that had a direct road to the Federal Government. And now we do not find any trouble in the transition, outside of the money problem.

But as Mr. Reagen says, if, in 8 years, it goes from $28 billion to none, we're going to give up everything.

Senator **Grassley.** All right. I hope some of you have views and won't be afraid to express them, even if they disagree with my position. I'd like to have your views on what you think of freezing 1983 expenditures at the 1982 level, as I've suggested, if you've had an opportunity to read about it in the press. If you haven't had, then obviously you can't comment on it.

Would you start, Ron, and then go on around the table?

FREEZING 1983 BUDGET LEVEL BEST WAY TO GO

Mr. **Mosher.** I think that freezing the 1983 budget level is probably better than proceeding with the budget that has been proposed, for a lot of reasons.

Primarily I think that if we really are going to tackle the issue of a New Federalism, a new kind of partnership between the State, local, and Federal governments, that we need time. We need time to figure out who ought to have which responsibility, and once we've done that, we need time to figure out how the mechanics are all going to get in place so that we actually can carry out that plan that will eventually be decided by the Congress and the President.

I think freezing is consistent with the call of the National Governors Association for a period of stability, a period of time to plan ahead, and to decided where we're going, and then be able to get there.

I think the 1983 proposals present a radical departure from where we're at now, and if we go forward with the thing, we're going to spend the next year just trying to cope with 1983, and have no resources left to think about 1984 and beyond.

So, for all those reasons, I think that freezing would be a very wise way for the Congress to go.

I have some other comments I'd like to make about other points that have been made so far. If you'd like, you can go ahead with other answers to this question, and perhaps come back to me, and I'll comment later.

Senator **Grassley.** OK. Gary.

FREEZING THE BUDGET STABILIZES IT

Mr. **Evans.** I agree with Ron. I think freezing does a couple of things. One of them is that it stabilizes the budget, and when we have that as an incentive, then we have the opportunity for good planning. You can look at what it is you're going to have to work with, and then you can make some sound planning decisions, and then you can really get efficiency in government.

But when it's a continuing resolution, that's stopping and starting and then, as I mentioned, the big cuts that we took last year do cost cuts in staff capability. Greater reductions will not mean an increased loss of one or two staff people; it would mean a loss of a whole department. Our rural housing authority has only got one staff person budgeted right now, so a 30- or 40-percent cut means that we won't be able to afford any staff capability. And that's true of our rural transit agency, too, that provides services. It's getting to the point where another reduction will eliminate the whole service, not just cutting it.

Freezing the budget will preserve this, so we can at least adjust to the impact of last year's cuts, and come up with the most efficient use of the dollars that are available. So, to that degree, the planning and preservation of the existing system are big pluses.

Senator Grassley. Shirley?

Ms. Baird. I agree, we have to start some place. So I think that probably freezing is the answer at the present time. I have not been receptive to the continuing resolution that has gone on, because we have not been able to plan. We took a lot of cuts this last year. The cuts in staff, as Gary mentioned, have hurt us, though it was a necessary thing. But any more cuts will have to be to services, and I really don't want to have to do that.

So I think we're going to have to be able to plan, know how much money we're going to have, and we have to plan to deliver those services.

Senator Grassley. Harvey?

Mr. Davis. I would say if it's an instant freeze, fine; but if it's a slow freeze, I think we'd be in trouble.

Senator Grassley. OK.

Mr. Davis. We've got to do it today, and not just say, "Well, we're going to freeze it," and then have somebody else trade off, and trade back and forth, and then have somebody left out—in the warmth, instead of the cold.

Senator Grassley. OK. Ron, would you make your additional comments now?

Mr. Mosher. I'd like to respond to several points that have been made in other testimony.

TURNBACK REVENUES GROSSLY INADEQUATE FOR IOWA

First of all, with regard to turnback revenues—there was some discussion of the turnback part of the program—from the perspective of the State of Iowa, the turnback revenues, as described in the proposal, are grossly inadequate of our State, for two reasons:

One is, of course, we don't have oil production in the State of Iowa, and the oil windfall profit tax as it's going to phase out nationally, isn't going to help us one bit. On the other hand, those few States that have oil production are going to easily be able to substitute, or perhaps be easily able to substitute, some tax for that tax on the State side. But that's just simply a total loss for Iowa. And, as was pointed out earlier, that amounts to over half of the turnback revenues.

For the remaining half, or possibly a little less than half, of turnback revenues, which is made up of excise taxes, Iowa loses again. The ability to raise excise taxes varies dramatically among the States. The State of Nevada, for example, has a tremendous capability of raising excise taxes on liquor and cigarettes; they just sell huge volumes proportionate to their overall revenue base. The State of Utah, on the other hand, has a very limited ability to raise excise taxes; their proportionate sales are extremely low. Iowa comes out on the losing end as well. I don't have the numbers with me, but they are publicly available, and we simply lose on both aspects of the turnback revenue program.

So there needs to be a good deal of negotiation on how that turnback package is going to work if, in fact, we get to that point.

There's been some discussion about whether the local organizations that exist now would continue to exist under the propossals. I would argue that it doesn't matter that many local organizations were formed specifically to deal with the Federal bureaucracy, to deal with the funding problems, when part of the funding comes from the State level, part from the Federal level, and part from other levels, and that many of the mechanisms now existing would serve no particular purpose. Many mechanisms would serve a more important purpose.

My point would be that I would hope that the congressional response would be not to design some piece of legislation that guarantees the preservation of organizations that no longer make any sense, but, rather, leave it to the State and local officials to decide which ones do make sense.

I think that gets to another point, on administration of the programs that are turned back over to the States. It's been widely written—erroneously, in my opinion—that the States just simply aren't competent to handle the programs we're talking about, that if we want to have a public conscience, that all programs must be administered at the Federal lèvel, as though all conscience resides within Federal employees. I don't subscribe to that, and I think the State and local governments are perfectly capable of accepting the responsibility of administering the programs, to decide what structure ought to exist and which oness shouldn't, to serve the interests of that particular State.

FEDERALISM GETTING TANGLED UP IN DOLLARS

The last point I would make is that the issue of federalism, I think, is getting all tangled up in the dollars. More often than not, when we meet, and when I met with my colleagues nationally, or the Governors meet nationally, the discussion turns to "Who's getting beat in the swap? Who are the winners? Who are the losers?"

I would argue that's an irrelevant point at this point in time, that—and perhaps this gets back to your question on the freeze—that what we need to do is decide what's right for the country and for our States, and map that out. And once we've figured out what direction we want to go, then we worry about how the dollars are going to fall into place, and we design a financial program which will allow us to meet our objectives. We don't design a dollar program, and then try to fit the philosophy around the dollars. And I'm afraid that, more often than not, that's what's happening today.

Senator GRASSLEY. I want to compliment you on how well you stated your second to your last point, where you commented on the conscience of the Nation doesn't particularly reside in Washington; and I share your view. I've never been able to say it quite that well, so I'll clip this out of the record and use it sometime.

But I can agree with that, based upon my service in the State legislature as well as Congress, and I would like to say that there are people that are equally, or more so, concerned about meeting human needs, in the State legislature as there are 1,500 miles away, in Washington, D.C., and even if they're of equal concern, that concern might be better addressed by people who are closer to the issues—or more apt to be addressed.

I'd like to call the next panel, and, in thanking you for your participation, if you could, I'd like to have you come up here so we can get a picture taken with you. I'd appreciate it very much. And then I would like to thank you for your participation, and call the next panel. There are only two people, at this point, to appear on the next panel, and that's Gerry Rankin and Representative Hugo Schnekloth. Would you two come to the table here, so you can prepare for your testimony?

Is there anybody else that I might not recognize, who should be recognized? Jim West is here. He is State administrator for Senator Jepsen, and we're pleased to have you here, Jim. I also would like to recognize you as a former colleague of mine in the Iowa House of Representatives.

I would also like to ask, are there any representatives of any other Congressmen from the State of Iowa who I ought to recognize, that I might not? Because if there are other congressional offices represented, I'd like to recognize their being here.

And then I also want, for the benefit of Gerry Rankin and Hugo—two of your colleagues had to come and testify, and I know you're under time constraints; and also, Senator Rolf Craft told me, because of his responsibilities upstairs, that he's just going to submit his testimony in writing.[1] So I appreciate very much your time constraints as well, and I won't take any more time.

I suggest, Hugo, since you may have to vote, or something, that you should proceed first.

STATEMENT OF HON. HUGO SCHNEKLOTH, REPRESENTATIVE IN THE IOWA STATE LEGISLATURE

Mr. SCHNEKLOTH. I want to thank you for this opportunity to share my ideas today, Senator Grassley. Forums like this have always been a good notion, but with the New Federalism, they become essential.

I want to add my support for a more active dialog between State and elected officials and those in the Federal legislative and executive branches. But by and large, I am in favor of the principles behind President Reagan's New Federalism program, which includes the proposal for block grants and revenue sharing, provided they are workable and reasonably fair.

There is little doubt in my mind that such a change is long overdue. Frustration over Federal programs has been growing among elected State officials in recent years. Our citizens share that feeling, also, as I'm sure many Members of Congress do, who daily hear from them by way of letters.

There is, actually, something of a popular mandate to return many of these programs to a level of government closer to the people served. It is an exciting proposal, full of hope, and I add my name to the increasing number of supporters.

IOWA IN GOOD POSITION TO TAKE ON NEW FEDERALISM

As States go, Iowa is in a comparatively good position to take on New Federalism. In our State, we do have a well-apportioned legislature; a very high per capita income; a strong, two-party system; divergent interest groups and lobbying organizations; a strong executive branch with support staff; a legislature that meets annually, with active support and technical staff, including fiscal staff; a full range of the common revenue sources, including corporate and personal income taxes and sales tax; an active role with local governments; State agencies capable of providing effective and efficient service to Iowans. In short, Iowa is well organized to accept new responsibility, given the funds or ways to generate revenue. We believe we can deliver many services better and at less cost than can our friends at the Federal level.

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[1] See p. 77.

But I would be remiss if I did not raise some of my questions and concerns over this good proposal, particularly because I am a friend to the concept. Recognizing that little precise data is now available, it is difficult to say exactly how new Federal block grants and revenue sharing will impact Iowa. We do not know exactly how our tax policy might be affected, though we are trying our very best to protect all sources of current revenue. "Caution" is the best word to describe our general mood as we proceed along this new course.

We are already in the process of accepting the first nine block grants for our State for fiscal years 1982 and 1983. Frankly, it is not the will of the legislature that is slowing that process, but the difficulty in obtaining reliable and timely budget figures from Congress, on which we can base our fiscal decisions. This situation must improve, or we will be stymied and become recalcitrant, leaving the New Federalism in the lurch. This is not a problem unique to Iowa. Congress must get moving. I cannot stress that enough.

The President's idea of swapping medicaid for AFDC and food stamps, to turning back 40 Federal programs to the States and, through the establishment of a trust fund, finance this plan during an interim period, all sound rather intriguing in form. Such a major proposal is best phased in slowly, over 8 years, as the President suggests. We may be able to handle it if it served one course at a time, but we cannot even take on the 1983 appetizer competently, without congressional appropriations.

Judging from figures prepared by the White House, Iowa may fare reasonably well with the turn-back and swap programs, for the years of the trust fund, anyway. These figures indicate we would have a net increase in revenues over total program cost. Obviously, though, the figures are based on a set of assumptions which we have not yet had adequate time to study here in Iowa. But we will be making our own careful and deliberate analysis soon, and comparing figures then.

PHASE II OF PROGRAM IS MAJOR CONCERN

My major long-range concern is for phase II of the program, 1988 through 1991, during which the Federal Government plans to phase out the trust fund by 25 percent each year. How the States respond—in fact, are able to respond—in this critical period is of the utmost importance. The trust fund is created with revenues from windfall profits and excise taxes. The most sensible way for the States to make up the 25-percent deficit in each of those years is by way of tax increases in those same areas equal to the loss. Iowa may be able to do that reasonably well, whether it's excise tax on tobacco, telephone and motor fuel, but it will be more difficult to recover through alcohol taxes, as Iowans consume less than the national average.

I am also troubled by the possibility that we may create States border wars, as the level and discrepancy between State excise taxes grow. Obviously, a Federal tax circumvents that problem.

More importantly, Iowa is not a Texas, California, or Alaska, and will not be able to recover from the loss attributable to the windfall profits tax—clearly the major source of the trust fund. That tax is possible for those States with a strong mining and oil industry; not agricultural, such as Iowa. One need only compare this tax revenue among the States, and the likes of coal severance taxes in Wyoming and Montana, to get a picture of the potential inequities.

Senator Grassley, I accept the President's offer of renewed partnership of the States to undertake a big job, and I offer you my personal assistance as we make this alliance a practical reality for the good of this county.

Thank you.

Senator **Grassley**. Thank you. If you have to go, I'll ask you questions before we go on to Gerry. Do you have to go upstairs?

Mr. **Schnekloth**. Not immediately.

Senator **Grassley**. OK. Gerry, go ahead, then. Gerry Rankin is the legislative fiscal director here, and a competent person who I knew and could work well with as a State legislator when was chairman of the appropriations committee in 1973–74.

Go ahead, Gerry.

STATEMENT OF GERRY D. RANKIN, DIRECTOR, LEGISLATIVE FISCAL BUREAU, STATE OF IOWA

Mr. **Rankin**. Thank you, Senator Grassley.

I was not able to get my thoughts down on paper before I came here.

Senator **Grassley**. All right. We should recognize, for the benefit of the audience, that you did respond on short notice to our request for you to appear here, and we appreciate your willingness to do it under those time constraints.

Mr. **Rankin**. Thank you. I do appreciate the opportunity to appear and express my thoughts, which are always candid, as you know.

ECONOMIC RECOVERY ACT CUTS BACK ON FEDERAL INCOME TAX

I think that there is one extremely important point that has not been made. That is, that the Economic Recovery Act of 1981 cuts back the Federal income tax that individuals and corporations are going to pay. In the current fiscal year, Iowans are being relieved of $200 to $250 million in Federal income tax.

If the Economic Recovery Act is allowed to operate in 1982 and 1983, Iowans will pay $750 to $800 million less in Federal income tax. That makes the point of funding turnback a somewhat immutable point, it seems to me.

The Iowa Legislature last year, last spring, previous to the Reconciliation Act which was passed in August, passed Senate file 563, now chapter 17 of the 69th general assembly session, in which they gave the Governor the responsibility of allocating out the block grant funds for 1981–82. In that same act, they said that they would appropriate the 1982–83 block grant funds. The Governor is to submit a proposal—which, I understand, he's going to do in a week or so—as soon as the 1982–83 funding numbers are available for Iowa.

The Legislature will then act on the appropriation of those block grant funds. The two chairmen of the Appropriations Committees, Senator Murray and Representative Weldon, have indicated that they want the subcommittees to examine those block grant funding appropriations in some detail, which has the potential—as I told the Lieutenant Governor—of extending the session a week or 2; but I think it's essential that, whether it's done this year or next year, that the subcommittees do examine that as they would if it were an appropriation from the general fund. But that's going to take some time.

EXAMINE PROGRAMS BEING TURNED BACK TO STATES

My point is that I think the Iowa Legislature is going to have to spend some extra time examining the Federal programs that would be turned back to the State. They're also going to have to examine the revenue aspect of it, and with the Federal income tax being cut back as severely as it is, at most, Iowans would have to pay 5 percent of that cutback. In other words, income tax will automatically—the Iowa income tax would automatically increase about $38 million in 1982–1983, as opposed to a $750 million cut by the Federal Government.

So I think that the revenue potential is there for the Legislature to assume any of those programs. The NCSL staff in Washington has done an excellent job, I think, of providing us with some analyses, which I just received yesterday and passed on to the legislative staff and on to several of the legislators. They point out two or three things that are very significant.

The States have long proposed that a consistent policy of income security programs be carried on by the Federal Government. On the other hand, the States have said that they stand ready to assume the primary responsibility for education, transportation, and law enforcement.

OMB is currently negotiating with the State and local governments as to actually which of these programs would be turned back. The President's budget proposed an initial turnback, but OMB is, in fact, now negotiating which of those programs would be turned back.

The NCSL and all of the States, I think, have concerns that perhaps some of the programs that are being turned back would more properly fit in the income security category, and that will be examined by OMB.

As Senator Yenger pointed out, the State of Iowa receives about 70 cents, or thereabouts, for every dollar we send to Washington. For that reason, I think that the New Federalism makes so much sense that there hadn't ought to be any great debate about it, I guess. For every dollar that we don't send to Washington, we can have that entire dollar to spend here. So, I don't think that we want to have the Federal Government collecting taxes for us and returning those. Revenue sharing has never been revenue sharing, as such. The Federal Government has simply borrowed that money and sent it back to us. We would be much better off if we would collect those taxes ourselves, and run our own programs. Many of the organizations that currently administer Federal programs are an extension of the Federal bureaucracy, and we can do that much more efficiently, as the State comptroller pointed out in his comments, than to have the administration of those programs directed by the Federal Government.

TIME NEEDED TO CONSIDER PROPOSALS

What I'm saying is, I guess, that the further you remove the spenders from the taxpayers, the easier it is to spend the money. I guess there's probably some tradeoff to freezing the Federal budget in the Economic Recovery Act for 1982–83. I can see some logic in it, in that the comments I've heard from the Iowa legislators is that they need time to consider the proposals.

OMB needs time to analyze the details. For instance, right now they have no idea as to how the trust fund would be set up and how the money would be administered, or would be distributed. They are currently negotiating with the Federal agencies in Washington, to determine how that trust would would be accumulated, who would be in charge of it, and how it would be distributed. It's merely an idea at the present time. There are no details available.

Congress needs time to consider which of the Federal programs might more properly be handled by the States.

The State of Iowa needs time to decide how the executive branch would respond to that, and the legislature would respond to it.

On the other hand, if the Economic Recovery Act were suspended for 1 year, Iowans would pay in that $750 to $800 million to the Federal Government next year which they would not, otherwise. That's the tradeoff. And it might slow down any economic recovery for 1 more year.

Our biggest problem right at the present time are low commodity prices, high interest rates, which are going to cause our State revenues to take a nose dive very soon. So far, they're pretty much keeping up with the estimate, but we see signs that they're going to take a turn down.

So, there is a tradeoff to the freeze, although I can see some logic, mostly from the standpoint that now that the initiative has been made for New Federalism we need time to digest what has been done so far.

The block grants that were passed by Congress in 1981–82 are being changed rather substantially for 1982–83, the details of which I only received yesterday. I have the three volumes of the 1983 budget, and it takes time to dig through all that material.

So, all in all, I think that the Iowa Legislature, I think that the 50 States, endorse the New Federalism. That's exactly what they, in the National Governors Association, have campaigned for for 4 years. It needs to be considered in some detail, but I think it certainly is the right direction, and I think the Iowa Legislature has to get up to speed on how they're going to handle it, which program they're going to accept, and how they're going to handle the funding.

So, thanks very much for asking me to serve on the panel. I do appreciate it, as I appreciated working with you several years ago.

STATES CAN ADMINISTER PROGRAMS BETTER

Senator GRASSLEY. On that latter point you just made, particularly as you compare the Iowa Legislature with other State legislatures—and I'm sure you've had an opportunity to do that through your colleagues in like offices in other States—do you have any qualms about the ability of State legislators to make these decisions and to show the same humanitarian needs toward people in need, and program administration, as Congress?

Mr. RANKIN. I have served on several subcommittees through the NCSL, and the framework of the New Federalism, I think, from the fiscal officers that I know around the country, the State legislatures are very excited about New Federalism. It's just exactly what they've wanted for several years.

The legislatures, as you know, have come a long way in the last 15 years in their capability to handle many of these programs. Legislatures, just like the Iowa Legislature, have been required to pass all kinds of laws that are currently in the Iowa statutes, which were demanded by the Federal Government: "Either you, legislature, pass this, or else we're going to withdraw *x* million dollars." We've heard that so many times. And after we've had programs that were started out at 90-percent funding, then dropped to 75 to 50, that's the main reason the legislature passed senate file 563 a year ago, was to appropriate a block grant and get in on the appropriation of Federal funds, rather than having them simply dropped on us, demanded of us, and then cut back. And the Iowa Legislature is very wary of hearing that sort of thing.

So, all in all, I think it's definitely on the right track. We can administer those programs better. We can administer them more efficiently. It's a matter of time to draw up the whole blueprint, I guess.

Senator GRASSLEY. Hugo, from your standpoint as an elected official, what's your perception—not just your own individual one, but that of, as you see it, your colleagues in the Iowa Legislature, maybe even as you've exchanged views with legislators from other States? Do you think this is something that they await with anticipation, and desire to move in this direction; or do you think they'd really rather have the status quo maintained, and what has been the blurry line of division between Federal and State programs remain that blurry?

THERE IS RELUCTANCE OVER NEW PROPOSAL

Mr. SCHNEKLOTH. Well, Senator, I think that, you know, we're all kind of creatures of habit, and it's kind of like when you sometimes buy a pair of new shoes, and you bring them home, and you put them in the closet and you're always wearing your old shoes. You know, they're very comfortable, and they're still doing the job, but they're getting kind of scuffed and, "I really should start wearing those new shoes one of these days." And eventually you break down and do that.

What Gerry said about these matching funds, we've had the feeling for a long time that people would go broke matching the Federal Government, when they put out a program and say that we have to match it in order to participate. This has always kind of gone against our grain.

And in that respect, the idea that we will have the latitude to make our own decision as to what we're going to do with this money is very exciting, and I think that if there's reluctance on the part of legislators and the general public, it's the normal reluctance that goes with a new proposal.

Now, actually I kind of compare this to when we passed the county home rule and city home rule. In fact, we tried to turn some of these things back to the local jurisdictions. I think it's long overdue. And I'm sure that as we get into it and it's found out that it will work and it can work, people's reluctance, and the legislators', will diminish. But right now, it's like anything new; it's the fear of the unknown. And, yes, there is a certain amount of reluctance; but, again, I wouldn't say it's anything that, in my estimation, would deter going forward.

Senator **Grassley**. OK. Now, if you had your druthers, would you continue down this road of block grants, where, you know, there's more authority at the State and local government levels to spend the money, but still a somewhat blurring of responsibilities, or would you prefer moving toward a clear break or division of responsibilities between the Federal and the State, as proposed by President Reagan?

BLOCK GRANTS FAVORED

Mr. **Schnekloth**. Well, I would certainly favor the block grants, without any—you know, as much latitude on our part as we can get. In fact, we were disappointed that some of the grants turned out—and I believe the Senate was a little more guilty than the House, of making—some of those categories were retained in the Senate after the House had passed a rather broader concept.

I'm sure that—at least where I come from—we would prefer to say, "Well, we want to set the priorities." Yes.

Senator **Grassley**. I don't think I have any other questions. I might just end by thanking you very much for your participation.

I would like to have the third panel come to the table. I wonder—Tim Urban, are you here for the mayor? Would you come up now? And I'd also like to have LeRoy Jorgenson, from Humboldt—is he here? And Councilwoman Jane LaGrange, from Vinton, and Gene Gerlach, from St. Ansgar.

Will you tell Pete I'm sorry he couldn't come, and I'm sure glad you could come to fill his shoes.[1]

We have before us now local officials, mayors, and city councilpersons from small as well as large cities in Iowa, to hear your views on these issues that you've already heard us discuss. I won't go into any more introductions, but just say thank you for coming, and I'll have you four go in order as you're sitting there, and then I'll probably have some questions when you're done.

Tim, in your case, can you wait until after the panel is done, and——

Mr. **Urban**. Oh, yes.

Senator **Grassley**. All right. Will you proceed, then?

STATEMENT OF TIM URBAN, COUNCILMAN, DES MOINES, IOWA

Mr. **Urban**. Senator, I would like to, first, thank you on behalf of the city of Des Moines for creating this forum. Certainly I think there's a great deal of concern and, frankly, a gut fear among the people of Iowa and the people in the cities about what's happening to our economy and what's happening on the front of world peace.

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[1] See Mayor Crivaro's written statement, p. 52.

I think the legislation that is pending in regard to New Federalism has to be looked at in a historical perspective.

I speak to you as an elected official of a local city government that has been in office for 8 years, and I've been through various changes in Federal administrations, as applies to aid to cities and towns.

FEDERAL GOVERNMENT HAS CRITICAL ROLE IN ASSISTING CITIES

I tried to think of what would be the most important messages that I think should be conveyed to you on behalf of the city of Des Moines. I think, first of all, that the most important message is that there is a critical role for the Federal Government to play in assisting the cities.

I think we have seen a cycle in the past in which cities and urban areas have been either treated as a critical crisis problem by the Federal Government, or essentially a view that it's a backwater issue that should be relegated to the will of the people and solved by local citizens.

I'm not really sure what cycle we're in now, except to say to you that if the Federal Government does not pay attention to the redistribution of income that I think is essential to keep this country healthy and strong—and you can well appreciate the importance of seeing the funds that are gathered through our Federal taxing authority distributed back to regions of this country, that, because of the vagaries of the marketplace and our economic changes, need help. Certainly the Midwest has suffered financially and economically to a much greater extent than the South and the Southwest. Certainly our industrial cities in the Northeast have suffered to a much greater extent—not because of neglect by local officials, not because of neglect by the people that live there, but because of the vagaries of our system, our capitalist economic system which we all feel very confident is a strong system, but it creates inequities.

So I want to stress that I think only the Federal Government can deal with this problem of redistribution of income, and only through such techniques as Federal revenue sharing and entitlement formulas can we really focus on that issue of redistribution of income.

CITIES ARE LEGITIMATE CONCERN OF FEDERAL GOVERNMENT

Second, the cities themselves, I still feel, are a legitimate concern of the Federal Government. Why? Why can't cities take care of themselves? Certainly you could take the position that cities and towns, through their State legislatures and through their local officials, can solve their own problems.

Cities have been restricted by State legislatures in terms of their taxing authority. It was mentioned earlier that we have local option here. We don't, as far as our means of raising funds. So we're at the mercy of the property tax system and property tax limits.

The cities are the focal point of our entire country's infrastructure. I mean the transportation network; rail transfers; grain storage and distribution, if you're talking about the Midwest; water, sewer—essentially the lifeblood of this country, economically, is centered in the core of the cities. Financially, our economic base is certainly dependent upon the rural areas. But where people live, the urban core of this country is, I think, a critical issue which only the Federal Government can ultimately address when we talk about the tremendous shortfalls that the cities are experiencing in their ability to raise funds, simply to fill in the potholes in the streets and keep sewerlines from further deteriorating.

So it's very important that we also see a Federal posture in seeing that Federal funds are gathered and then redistributed back to urban areas; because if that isn't done, I'm deeply concerned that cities and towns will deteriorate much more rapidly than they are now. And, worse, that the social problems that we point to in our society and which we read about in the paper every day, will accelerate because of the condition that exists in the cities, not in small towns and rural areas.

In specific, the two issues that I'm familiar with, and are addressed in the document that I delivered to you from the mayor, relate essentially to the desire on our part to see that general revenue sharing is complete, because we, in the last 4 years, have become dependent on general revenue sharing for our operating budget, not for capital projects. We, as a city council, willed that when we first received Federal revenue sharing, that it would go to one-shot expenditures; you receive it, you spend it, you're not dependent upon it. Unfortunately, we lost that latitude 4 years ago. We are now entirely dependent upon receipt of those funds to help meet our needs within our operating budget. We certainly would like to go back to our old system. As a policy board, we would definitely like to do that. But we simply can no longer do that.

So, frankly, we have become dependent on that as a means of helping us provide the basic, day-to-day operating needs of the community.

CITIES CAN DESIGN THEIR OWN PROGRAMS BETTER

In regard to block grants, I think—the community development block grant program is an entitlement program that was initiated by the Nixon administration back in 1973, as were a number of others, by the way, like title 20. And I think that if you simply look, historically, at how those programs have been utilized, I think you will discover—at least we feel this is the case—that by direct entitlement distribution to the cities and towns and the counties—urban counties, particularly, in some cases—that those programs that are designed to help the cities and city problems—which I believe the community development block grant program is focused on—can best be developed by going directly to the cities.

Heaven forbid, in my opinion, that we would delegate all the funds to the States, and then have the States develop an entitlement distribution throughout the State. First of all, we'd lose 20 or 30 percent by another layer of administration; and then we would, in my judgment, not see these funds going where they're needed most. I don't say that to denegrate the State legislatures; I'm saying simply that the States ought to get entitlements for those services that they deliver directly, but the cities and counties ought to get those funds for which they deliver services directly, and there ought to be a separation between them.

Thank you very much.

Senator **Grassley**. Thank you, Tim.

[The complete statement follows:]

February 17, 1982

CITY OF DES MOINES

MAYOR PETE CRIVARO
CITY HALL
EAST FIRST AND LOCUST
DES MOINES, IOWA 50307
(515) 283-4944
1949 ALL-AMERICA CITY 1976-77

Senate Budget Committee
United States Senate
Washington,D.C. 205 0

Re: Revenue Sharing and Block Grants - The Des Moines Experience

Dear Senators:

Financing local government operations in the Midwest has been extremely difficult during the past five years due to the spiraling costs of inflation and reductions in several of the Cities' revenue sources. In Iowa, it has been especially difficult since the primary source of revenue has been the property tax, and State imposed limits have controlled the growth of this revenue source at a rate which is less than the continuing rate of inflation. These factors have forced local governments to increase their reliance on user fees, reduce service levels in many programs, totally eliminate other programs, delay capital improvements and terminate employees. However, the public's continued demand for locally operated public safety, street maintenance, solid waste collection, parks and recreation, and other significant programs has caused both taxpayers and City Councils to experience frustration when evaluating their operating budgets.

The Federal Government's provision of General Revenue Sharing has allowed many governments to meet the service demands of their residents and to improve their physical plant, while holding the line on local taxes. In Des Moines, Iowa, General Revenue Sharing has been used to supplement property tax revenues since 1972. The following table depicts the City's receipts since that time:

Federal General Revenue Sharing

Amounts Received:

Entitlement Period 1	(1-72/6-72)	(6 months)	$1,112,067
Entitlement Period 2	(7-72/12-72)	(6 months)	1,067,121
Entitlement Period 3	(1-73/6-73)	(6 months)	1,257,521
Entitlement Period 4	(7-73/6-74)	(12 months)	2,436,024
Entitlement Period 5	(7-74/6-75)	(12 months)	2,713,581
Entitlement Period 6	(7-75/6-76)	(12 months)	2,261,275
Entitlement Period 7	(7-76/9-76)	(3 months)	1,373,728
Entitlement Period 8	(10-76/9-77)	(12 months)	2,051,531
Entitlement Period 9	(10-77/9-78)	(12 months)	2,946,786
Entitlement Period 10	(10-78/9-79)	(12 months)	2,845,761
Entitlement Period 11	(10-79/9-80)	(12 months)	2,770,912
Entitlement Period 12	(10-80/9-81)	(12 months)	2,511,489
Entitlement Period 13	(10-81/9-82)	(3 months recd.)	625,661
		(9 months to be received)	1,876,983
		TOTAL:	$27,850,390

During the first entitlement period, General Revenue Sharing was used to reduce the property tax levy for Des Moines' residents. During periods two through eight, this revenue was designated for use in the City's Capital Improvements Program. Projects funded through General Revenue Sharing included the Fire Station Construction Program, the Branch Library Construction Program, the Municipal Building Remodeling Program, the Veteran's Auditorium Improvement Project, the Land Acquisition Program for the Civic Center and Nollen Plaza in downtown Des Moines, and the construction and remodeling projects for several Park and Recreation facilities.

Unfortunately, State limits on tax rates and valuations and continuing inflation necessitated the use of General Revenue Sharing for general operating purposes during periods nine through 13. Although the City's dependency on General Revenue Sharing for operations is fiscally unsound due to the uncertain nature of this funding source, the State of Iowa's failure to provide municipalities with alternate revenue sources has forced Des Moines to depend heavily on General Revenue

Sharing to provide necessary services. If the President's New Federalism approach is approved by Congress, it is imperative that General Revenue Sharing be an integral part of this program since it will assist local governments in maintaining their basic services while absorbing other programs from the Federal government.

As described by President Reagan, the concept of New Federalism would involve the use of State governments as the funding entities for public purpose programs and would create a new partnership between the State and Local governments. However, the historical relationship between the States and their Local communities has not always been amicable. In fact, the City of Des Moines and other large cities across the country, have often received more effective assistance from the Federal government than from their own States.

During the last year, leaders of the Iowa Legislature and Mayors from many of Iowa's larger cities have strived to develop a better working relationship and to remedy some of the municipalities' major problems. However, this relationship is still in its infant stage and many of the City's most significant concerns have not yet been addressed by the Legislature. The most recent example of this problem has been the State's failure to provide municipalities with a meaningful local option taxation bill. Such a bill would allow City Councils, with referendum approval, to adequately address the financial needs of their communities and to eventually absorb some of the programs now administered by the Federal Government.

With these experiences as a background, it is difficult to determine if the administration of the Federal Government's Block Grant Programs would be effective at the State level. In the 1982 program year, the City of Des Moines is currently operating Block Grant programs from both the State and Federal governments. The following table depicts these programs and their 1982 funding levels:

Federal Block Grant Programs	State Block Grants
1. Community Development Block Grant Program ($4,933,000)	1. Community Services Block Grant ($198,000)
	2. Home Energy Assistance Block Grant ($1,500,000)
	3. Weatherization Program ($400,000)

In comparing these Block Grant programs, Des Moines has found that the Federally administered Community Development Block Grant Program has the following advantages and disadvantages:

1. The City of Des Moines has direct accessibility to the funding source.
2. The Department of Housing and Urban Development Program staff are knowledgeable and aware of problems and needs of an urban community such as Des Moines.
3. The Community Development Block Grant Program provides an opportunity for local discretion and creativity to fund programs which the local government officials have deemed necessary.
4. The Community Development Block Grant Program has accomplished a great deal, including the creation of Community Centers, the conservation of the City's housing stock, and the redevelopment of the City's decaying neighborhoods.
5. The assurances and certifications which accompany a Community Development Block Grant Program are, at times, costly and cumbersome. The Davis-Bacon requirements of this program are one such example.

Des Moines' experience with the State-administered Block Grant Programs indicates that the New Federalism could result in some of the following problems for large cities if the States receive the primary responsibility for future Block Grant Programs:

1. The implementation of these programs by the States could result in increased staffing at both the State and Local levels. The transferring of the entitlement programs to the States does not necessarily reduce paperwork, but could further fragment government efforts. It has been the experience of the City of Des Moines that as much, if not more, red tape occurs in State funded programs. The State of Iowa's requirements for the administration of the low income utility assistance program serves as just one example.

2. It would be more difficult for communities such as Des Moines, which is an older urban community, to have their concerns addressed in a primarily rural-oriented State Legislature. The present structure is such that problems of aging, housing stock, deteriorating infra-structure, and declining tax base, are not always given the necessary consideration or funds in the State Legislature. Currently, there is some assurance that these serious domestic problems are being addressed by the Federal government.

3. It would be most difficult to develop a national housing and community development policy under the New Federalism, and there would also be a lessening of the role of congressional representatives.

4. If the national economy continues in its present state, it would be very difficult for States to maintain those services which they would now be required to absorb. As a result of this, there would be an increased pressure to use Federal revenues for current State services, and therefore, it would be less likely for cities such as Des Moines to receive funds for many of its programs.

5. The proposed New Federalism has few incentives to continue the current Federal programs. The State would have the discretion to withdraw from any of the existing categorical programs, but would continue to receive the financial resources for many of these programs. Secondly, the Federal revenues will decline in the fiscal years 1988 through 1991, and therefore, will create additional pressures on State coffers.

6. It appears that the City of Des Moines would receive significant reductions in funding with which to address the ever-increasing problems of our older urban community.

For these reasons, the City of Des Moines strongly recommends that the New Federalism concept be fully explored before final Congressional action is taken. More specifically, it is recommended that Local communities be given a greater role in this new concept and that program administration and funding be directly transferred to Local governments. In order to truly meet the needs of our citizens, it will be necessary for the State and Federal governments to place greater faith and trust in the Local governments' ability to effectively administer our urban programs. General Revenue Sharing has represented a first step in the Federal Government's attempt to bolster Local government and the direct administration of the Federal Government's Block Grant Programs by Local governments would allow us to bring government back to the people.

Sincerely,

Pete F. Crivaro

Pete F. Crivaro
Mayor

PC/dvb

Senator GRASSLEY. We'll go on to you now, Jane, if you would, please.

STATEMENT OF JANE LaGRANGE, MEMBER OF THE CITY COUNCIL, VINTON, IOWA, AND CHAIRPERSON OF THE EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS

Ms. LAGRANGE. Thank you.

I'll continue along the same line as the city of Des Moines. Most of my written testimony deals with our dependency on Federal revenue sharing programs, how a medium-size Iowa community is dependent upon it. And in my written testimony, I speak about Vinton as a typical medium-size community. Vinton has a population of about 5,000—just over 5,000, and I think we reflect middle-size cities in Iowa.

COMMUNITIES HELP THEMSELVES AS MUCH AS POSSIBLE

One item I did not discuss in my written testimony, which I think I should point out, most communities do try to help themselves as much as possible. We don't just sit and wait for a government handout.

For example, Vinton has an active community betterment council, and this group is actively looking for ways to make our community better.

We also have a local Industrial Development Corporation, which is trying their best to attract new industry to Vinton; and we've been in a real depressed situation recently. Our community has lost three major industries just within this past year. We have lost the Hawk-Bilt Manufacturing Co., which employed 150 employees. They produced farm implements. We also lost McQuay-Perfex, Inc., which produced radiator cores for industrial equipment and for diesels, and they had 130 employees. We lost Dubuque Pack, which mainly was concerned with canning hams; they had 100 employees. We also lost another small industry.

So when you speak about a community the size of 5,000, losing all this just in this past winter, you can see that we're in a rather depressed economic situation right now, which reflects on our local government, our tax base, and the new wastewater treatment plant that we're building, and this type of thing.

But I did want to emphasize that we aren't just waiting for government handouts. We are trying to do as much as we possibly can. In fact, yesterday and this morning before I came here, I was attending an industrial facility planning seminar, which was put on by the industrial development division of the Iowa Development Commission. And so we are working. But I do want to emphasize, as did the city of Des Moines, that we have found sharing of Federal funds invaluable in our size community.

LOCAL GOVERNMENTS DEPEND ON REVENUE SHARING FUNDS

We have dealt with community block grants. We've had several of those. We've also had several special-purpose grants. But for our purpose, the Federal revenue sharing is the best example that we can point out, whereby the Federal Government shares not only revenue, but also decisionmaking responsibilities. Because it's up to the local governments to decide where they best can spend the Federal revenue sharing funds, and each community knows best itself where these funds are to be spent.

Now, I just listened to the previous testimony from the State, and they did indicate that they didn't feel revenue sharing for the State was necessary because they could go ahead and raise their own taxes. Now, this isn't true in local governments. We don't have the tax base. We also do not have the authority for taxing. So we are dependent upon revenue sharing funds.

Also, I feel that Federal revenue sharing funds is as equitable a distribution as possible, since it's based upon a per capita basis.

Last year, Vinton's property tax amounted to $490,000, and the revenue sharing amounted to $82,000. So you can see, this is a sizable percentage of our income. Of course, we do have other income, from road use and service charges, various licenses, and so forth. But revenue sharing does represent a large portion of our income.

We also use it to plan for the future. Right now we're in the process of buying a new firetruck, which is estimated to cost about $100,000. We can't afford this out of our budget, because we're on a bare-bones budget, so we are saving out of Federal revenue sharing.

This present budget year, however, we are very uncertain as to what the prospects are going to be, so we could only budget for one-quarter for revenue sharing funds, and this was only $16,000. We had input for $52,000 worth of services. So this isn't going to go very far.

But for communities like ours, who are trying to plan for the future and save a certain amount of money out of each year's revenue sharing, it's impossible to plan for the future now, when we don't know what the outcome of the Federal revenue sharing is going to be.

So I think that was my major emphasis, that in this particular period of time, we're in a transition period, going to block grants, and we don't know for sure what the future is going to bring. I think this would be a disastrous time to eliminate Federal revenue sharing. So I want to make that as my main point.

Thank you very much for asking me.

[The complete statement follows:]

PREPARED STATEMENT OF JANE LA GRANGE, MEMBER OF THE CITY COUNCIL OF THE CITY OF VINTON, IOWA, AND CHAIRPERSON OF THE EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS

Whose decision should it be as to whether one city should have a new firetruck, another an additional water tower, and still another an updated radio system for its police department? There has been a lot of talk recently about the whole concept of the Federal Government sharing decision-making responsibilities with local governments as well as sharing revenues. In my opinion, one of the best examples of this very principle is already in place and operating with no problem, and that is the Federal Revenue Sharing program.

REVENUE SHARING HELPS LOCAL GOVERNMENTS MAKE OWN DECISIONS

This program allows local governments to make their own decision as to where the money is best spent for that particular community. Also, the allocation is equitable in that funds are distributed on a per-capita basis.

You asked for both advantages and disadvantages of the Federal Revenue Sharing program. I have tried to be as objective as possible, but I honestly cannot come up with a single disadvantage. I know I have heard people discuss the fact that their money is sent to Washington, then it goes through the bureaucracy and is sent back to local governments. And their theory is that the money should just be kept at the local level in the first place. Those people simply do not understand that local governments do not have the tax base nor the taxing authority needed to produce the kind of revenue local governments need.

I will use as an example our local government in Vinton. Vinton could be described as a typical medium-sized Iowa city, with a population of just over 5000. Last year, the income from Vinton's property tax amounted to $490,000, and the income we received from revenue sharing was $82,000. You can see that this amount of revenue-sharing money represents a sizable percentage of the City's income. Of course, there is other revenue from various licenses, service charges, share of road-use and liquor tax, et cetera, but property tax and revenue sharing account for the biggest percentage of the total income. And without revenue sharing, the City of Vinton would be in a real bind.

At public hearings the City has more requests for revenue-sharing funds than the total amount available, but we try to allocate the money in as judicious a manner as possible. For example, last year's revenue sharing helped fund the following:

Volunteer fire department (set-aside money for a new firetruck);
Volunteer ambulance service (equipment);
Library (help toward a handicap lift);
Senior citizens' Council on Aging;
Local Community Action Program (transportation for the elderly);
Recreation Department (equipment);
Airport (expansion to accommodate industry);
Community Betterment Council;
Humane Society.

Without revenue sharing or some type of assistance, these community programs could not have been helped by city funds, as the city budget is "bare bones," taking care of only salaries, insurance, supplies, et cetera.

At this year's public hearing for revenue-sharing funds, we could only budget for one quarter (through September 1982) because of the uncertainty of the revenue-sharing program. Therefore, we only have $16,000 budgeted, but we had requests for $52,000 worth of services. We were able to only partially fund requests for fire department, ambulance, library, and senior citizens. Other requests which were not able to be funded include:

Help with hiring a person to seek out new industrial development for Vinton;
Airport improvement;
Animal shelter;
Install a lift or elevator in city hall to accommodate handicapped; and
Replacement of city equipment.

UNCERTAINTY OF PROGRAM'S FUTURE MAKES PLANNING DIFFICULT

In Vinton we like to be able to plan ahead and put aside a certain amount of money for items we know we will need in the near future. This makes more sense to us than deficit spending. The problem with the uncertainty right now of the future of the Federal Revenue Sharing program is that we are not able to effectively plan for the future.

A good example of this is the revenue-sharing money allocated to Vinton's volunteer fire department. The last firetruck was purchased by setting aside a certain amount of revenue sharing funds each year until the City had enough saved to purchase the new truck. Now the City has been told that a second new firetruck is needed to replace the oldest truck, a 1953 model.

In a recent survey of the Insurance Services Office of Iowa, Vinton was informed that they had to replace the old truck or else the City's fire insurance classification would be lowered from a Class 6 to a Class 7. This, in effect, would increase fire insurance rates for Vinton residents. It will be necessary to have the new truck by the time of the next survey, which is in ten years. It is estimated that a new truck will cost approximately $100,000. There is no way an appropriate amount can be set aside from the regular budget year, since the City is already operating on a bare-bones budget. The only feasible way for the City to buy the needed firetruck is from revenue-sharing funds, and the City has just started saving for this. However, if revenue-sharing funds are cut off now, that would leave Vinton without the necessary funds for the new firetruck.

I have attempted to illustrate the necessity local governments have for outside funding, and I have concentrated on federal revenue sharing rather than block grants, because our local government has worked with revenue-sharing funds for a number of years. We also have had experience with community development block grants and other special-purpose grants. However, with the proposed changes in the block grant program, it is difficult to determine at this time what the impact will be on local government.

NOW WOULD BE DISASTROUS TIME TO CUT FUNDS

What I want to make clear to you, however, is that now would be a disastrous time to cut off federal revenue-sharing funds from local governments during this transition period, until we know for sure what the shortfalls in the block grant program will be. Cutting off revenue-sharing funds now would produce a definite hardship on local governments.

One other point. I recently noticed a newspaper article which stated that Senator Grassley endorsed President Reagan's proposal for enterprise zones, whereby tax breaks will be offered to small companies willing to establish operations in depressed areas of inner cities. What about depressed medium-sized cities in Iowa? Vinton is a good example of a depressed medium-sized city.

One year ago, Vinton had three major industries:

Hawk-Bilt Manufacturing Company—produced farm implements—150 employees;

McQuay-Perfex, Inc.—produced radiator cores for industrial equipment—130 employees;

Dubuque Pack—meat products—100 employees.

This winter the three industries have all closed, and are moving or have moved their facilities.

In addition, a smaller plant, Cutlas Gear & Mfg.. has also closed. Vinton has now been left with no major industries. This will affect the City's tax base and certain income from other sources, such as a large share of the cost of the wastewater treatment plant currently under construction. Therefore, Vinton could be described as in a very depressed economic situation at the present time. We could use assistance of some kind to help get us back on our feet and into useful production again.

Senator GRASSLEY. LeRoy.

STATEMENT OF HON. LEROY JORGENSEN, MAYOR, HUMBOLDT, IOWA

Mayor JORGENSEN. I'd like to thank you, Senator Grassley, for inviting me to come.

I would like to address my points basically toward the small- or medium-sized towns.

PAST HISTORY

Block grants have been a very valuable method of financing large projects for the small towns. Projects that were mandated by the Federal Government were not achievable independently without help in the form of some kind of a grant.

Revenue sharing has been a very viable tool in financing community projects that occur occasionally and are costly for the yearly budget. I'm thankful that Humboldt has not gotten into the situation that we have to use it for operating budget expense; we use it strictly for the larger projects so that we do not have to use a bond issue; such as, this year, a bathhouse repair of $60,000. Each year we take one project and try to—it's not something that we would have to have, but it's items that we dearly need. But we have not gotten into where we have to buy gas for our police cars, or buy a police car out of this money. But revenue sharing has been the easiest program for the small towns to administer. The regulations have been very few, and the distribution left to the local community has been a great asset.

FUTURE OF GRANTS AND REVENUE SHARING

Block grants are a necessity for major projects such as wastewater treatment plants, storm sewers, water treatment plants, or water towers. I believe the local community, along with the local engineer, should have more leeway, whether or not the State or the Federal Government continues in block grants, as to exactly what is necessary for a project. The plans can be reviewed at the State or national level, but I think more emphasis should be on what the local has to offer. Large amounts of money can be saved if these projects are not overdesigned.

For example, approximately 7 years ago, Humboldt was told they needed a new wastewater treatment plant. A grant was applied for and granted. Phase-I was completed, that cost thousands of dollars. It was determined that our trickling filter plant was not sufficient, and the community was told that a new bio-disc plant was needed, at a cost of $3 million. Since that study was made, the effluent limits have been changed for our discharge into the Des Moines River. Our plant is now meeting all requirements.

If Humboldt's disposal plant was in need of a $3 million face-lifting a few years ago, is it conceivable that we are meeting all effluent limits now? How many cities were not as fortunate as Humboldt, and completed all three phases, to find their original plants were adequate? Millions of Federal dollars have been spent unnecessarily.

POLITICAL PRESSURES AND MISUSE OF MONEY ARE CONCERNS

I am sure that there are many disadvantages and many advantages for transfering the grant programs to the State level. My biggest concerns are the political pressures that may occur in trying to obtain grants, and the misuse of money after it gets to the State.

The Sunday Des Moines Register inferred that the New Federalism will get rid of the bungling, tax-gobbling, Federal bureaucracy and replace it with bungling, tax-gobbling State bureaucracy. I believe this could easily happen if the programs are not well thought out before the programs are started. Politics cannot be a factor when you are trying to obtain a grant on either the local or the State or the Federal level.

Some suggestions I would like to make, whether the State would have the grants or whether the Federal Government or the State would administer it, I would like to mention just a few that I think would help especially the small towns.

One is to reduce the duplication of services by many different agencies. The main objections on most A-95 reviews conducted by our Regional Council of Governments is that of duplication of services by different agencies. Many agencies fight each other for services and recipients. Iowa has over 100 agencies, each of which has its own empire.

No. 2, put more emphasis on the A-95 reviews. If a negative A-95 review is received, a study should be made before automatically granting a loan or a grant.

No. 3, have an agency such as the Area-Wide Planning Organization, COG, or some other organization, trained and instructed to help the small towns complete applications, help administer the grants by helping write public notices, completing reports, and so forth.

No. 4, set a proportionate amount of money from each of the block grants that have been granted, so much for the large cities, so much for the medium-sized cities, so much for the small cities, to give a more equitable amount of distribution.

No. 5, keep the project in line by requiring a larger local match—possibly up to 30 percent or more. The more money a local community has to share in a project, the better the project will be supervised and watched. All communities like to receive money, but few people like to pay taxes. So the money must be spent for the most needed projects in the most efficient manner possible.

No. 6, to make sure the money is used by all communities, and not just a few because they write a good report, I suggest that a community receive only one grant every 5 years. By this method a community will analyze their needs by using the local match, and one request every 5 years, the community will submit requests that are really needed, and not submit a request just because the money is there.

The New Federalism has worked its way into our lives, whether we like it or not. Less than 10 percent of the Federal budget is in grants to States and local governments. The reduction of this category will not balance the Federal budget, but I'm sure that local officials will do whatever they can to help in reducing the deficit.

My concern is that the Federal bureaucrats are washing their hands of a problem, and turning it over to the States and local governments to let the States raise the money for the programs that are needed, or turning it over to the local governments to raise the money.

Thank you much.

Senator **Grassley**. Thank you, LeRoy.

Mr. Gerlach.

STATEMENT OF GENE GERLACH, MEMBER, BOARD OF SUPERVISORS, MITCHELL COUNTY, IOWA, AND CHAIRMAN, NORTH IOWA AREA COUNCIL OF GOVERNMENTS

Mr. **Gerlach**. Thank you, Senator Grassley, for allowing me to come and testify.

I have turned in some written material that describes our revenue sharing, how it's been used in Mitchell County, where I'm a county supervisor, and we have handled our revenue sharing largely in the same manner that the cities represented here today have.

I'm going to express my concerns about our association with the North Iowa Area Council of Governments, of which Mitchell County is a member, and who we look to for much leadership in the block grant program.

We have some major concerns, and they center around, first of all, establishing a process that insures a role for city and county governments and their regional councils in the decisionmaking process over the use and allocation of the new block grant programs; and, second, that local elected officials be allowed to utilize the organizational structures that are already in place, to provide the administrative capacity and expertise to insure that the programs are implemented efficiently and effectively.

GOVERNMENTAL DECISIONMAKING AT LOWEST LEVEL SUPPORTED

We support the administration and Congress' concept of governmental decisionmaking at the lowest level of Government practical. It is our belief that, working through our regional councils, the Iowa State Association of Counties and Iowa League of Municipalities, we can provide the local capacity and expertise to administer a number of the new block grant programs in the rural areas and small towns of our State, while at the same time maintaining strong local grassroots accountability.

Regional councils in Iowa are agencies of local government, and operate under the direction of city- and county-elected officials. They fill a gap in our intergovernmental structure by dealing with problems that transcend jurisdictional boundaries and must be addressed on a regional basis. The basic responsibility of a regional council is to serve as an umbrella agency which facilitates coordination and management activities. By working collectively through our regional councils, rural cities and counties can share professional and technical services they otherwise could not afford.

One of the main reasons I'm here today is because Mitchell County was successful in receiving a block grant, a Community Development Block Grant, on behalf of three very small towns in our county. We called upon the North Iowa Area Council of Governments to administer this program. We put up $40,000 of our county's revenue-sharing money, along with a $680,000 Federal grant, and this money was to be used for rehabilitating of low- and moderate-income, owner-occupied homes in the three small communities.

Our regional council's previous experience in block grant administration in other communities provided valuable technical assistance to insure compliance with the applicable Federal regulations, such as Davis-Bacon—which, incidentally, Senator, I do not like—civil rights, historic preservation, and many others.

Economies of scale were realized, because the regional council was administering similar programs in the communities of Hampton, Algona, and Cerro Gordo County.

Because of the diverse areas of expertise required, the county would have been forced to supplement the existing staff with persons knowledgeable in such varied areas as preparation of construction specifications, on-site rehabilitation inspections, outreach services, general grant administration, as well as the accounting procedures and financial management.

By contracting with our local Council of Governments, we were able to avoid hiring additional staff, while at the same time maintaining local control, by utilizing an agency accountable to local elected officials. We are now in the process of closing out this block grant program in Mitchell County. The administrative cost for the entire project was 5.6 percent. This is in contrast to what HUD allows for administration of these block grants, of up to 20 percent.

REGIONAL COUNCIL RELIED ON FOR NUMEROUS OTHER SERVICES

In addition to block grant administration, Mitchell County has relied on the regional council for numerous other services. Based on our experience in Mitchell County, we believe that a prerequisite for the successful operation of many of the block grant programs being proposed is administrative capacity at the local level. Regional agencies can provide the neecssary expertise and experience in rural areas such as ours, while at the same time remaining directly accountable on a day-to-day basis to local elected officials.

If this sounds like a biased presentation toward our council of governments, Senator, it is. We have found them invaluable, and we are very proud of our council of Governments. We have 100 percent membership from the counties and the incorporated cities within it. Our monthly meetings are well attended. So the local elected officials do have control over this council of governments.

Where categorical programs have traditionally been administered by local government or by regional councils, similar direct funding should continue, by mandating a passthrough or a formula governing State allocations of these funds.

States should be required by block grant provisions to have a joint determination process with local governments and their regional councils on the allocation of resources provided through block grant programs.

Federal policy should be developed to encourage the use of general purpose local governments and their regional councils in program delivery as well as planning. Relationships between States and special agencies that are not accountable to the electorate have been fostered through Federal policy in the past.

To be consistent with the home rule objectives of the New Federalism, Federal policy should recognize local governments and their regional councils as the preferred units to assist States in the priority-setting process.

The Federal Government has invested large amounts of money over the years to build the capacity of local governments to address their own community problems. The New Federalism should recognize that local governments should be full partners with their states in both planning and program delivery.

I thank you.

Senator **Grassley**. Thank you, Mr. Genlach.

[The complete statement follows:]

PREPARED STATEMENT OF GENE GERLACH, BOARD OF SUPERVISORS, MITCHELL COUNTY, IOWA AND CHAIRMAN, NORTH IOWA AREA COUNCIL OF GOVERNMENTS

Senator Grassley, I am Gene Gerlach from St. Ansgar, Iowa and a member of the Mitchell County Board of Supervisors. I am here in my capacity as a local elected official from a rural county in North Central Iowa and as a member of the North Iowa Area Council of Governments.

We appreciate the opportunity to present our views from a rural perspective on the new block grant program proposals and related intergovernmental issues.

Our major concerns are:

(1) First, establishing a process that ensures a role for city and county governments and their regional councils in the decision-making process over the use and allocation of the new block grant programs; and

(2) Secondly, that local elected officials be allowed to utilize the organizational structures that are already in place to provide the administrative capacity and expertise to ensure that the programs are implemented efficiently and effectively.

We support the Administration and Congress' concept of governmental decision-making at the lowest level of government practical. It is our belief that working through our regional councils, the Iowa State Association of Counties and Iowa League of Municipalities, we can provide the local capacity and expertise to administer a number of the new block grant programs in the rural areas and small towns of our state, while at the same time maintaining strong local grassroots accountability.

We would like to present our testimony today in two parts:

First, a brief explanation of our regional council structure and purpose along with an example of how we, in Mitchell County have successfully administered a Community Development Block Grant Program over the last two years; and

Second, a discussion of the principles which we believe are essential to intergovernmental coordination as they relate to the block grant proposals.

Part I. LOCAL ADMINISTRATIVE CAPACITY

Regional Councils in Iowa are agencies of local government and operate under the direction of city and county elected officials. They fill a gap in our intergovernmental structure by dealing with problems that transcend jurisdictional boundaries and must be addressed on a regional basis. The basic responsibility of a regional council is to serve as an umbrella agency which facilitates coordination and management activities. By working collectively through our Regional Councils, rural cities and counties can share professional and technical services they otherwise could not afford.

Mitchell County approached the North Iowa Area Council of Governments in the fall of 1979 for technical assistance with securing and administering a Community Development Block Grant Program in behalf of three very small communities in our county. Our particular project consisted of $40,000 of county revenue sharing, along with a $680,000 grant for total project funding of $720,000. The grant was awarded in the spring of 1980 with the bulk of the funds to be used for rehabilitation of low and moderate income owner-occupied homes. During the course of the project, 52 homes were rehabilitated, and four families, whose homes were unsuitable for rehabilitation, were relocated to safe, decent replacement housing. Not only did the grant have a positive effect on the 56 families receiving direct assistance but also provided a stimulus to the local economy. A total of 14 general contractors and 47 subcontractors were utilized to complete the home improvements. These contractors in turn provided trade for local material suppliers at a time when other construction work was lagging.

Our Regional Council's previous experience in Block Grant Administration in other communities provided valuable technical assistance to ensure compliance with applicable federal regulations such as Davis Bacon, Civil Rights, Historic Preservation and many others. Economies of scale were realized because the Regional Council was administering similar programs in the communities of Hampton, Algona, and Cerro Gordo County.

The Regional Council's administration of the program in our behalf resulted in saving the county the task of hiring numerous employees to perform a variety of duties. Because of the diverse areas of expertise required, the county would have been forced to supplement existing staff with persons knowledgeable in such varied areas as preparation of construction specifications, on-site rehabilitation inspections, out-reach services, general grant administration, as well as accounting procedures and financial management. By contracting with our local Council of Governments, we were able to avoid hiring additional county staff, while at the same time maintaining local control by utilizing an agency accountable to local elected officials. We are now in the process of closing out the Block Grant Program in Mitchell County. The administrative cost for the entire project was 5.6% of the total grant amount . . . an impressively low figure when you realize that HUD allows up to 20% of a grant to be used for administration.

In addition to Block Grant Administration, Mitchell County has relied on the Regional Council for other services including:

- a comprehensive plan completed in the spring of 1980 which included a land use plan and a zoning ordinance;
- administration of a county-wide transit service that provided 6,200 rides to the elderly in fiscal year 1981;
- participation in housing assistance to low income families through the Section 8 Existing and Moderate Rehabilitation Programs; and

- working with private sector employers on a regional basis to identify economic development potentials and foster public/private cooperation.

Based on our experience in Mitchell County, we believe that a prerequisite for the successful operation of many of the Block Grant Programs being proposed is "administrative capacity at the local level". Regional agencies can provide the necessary expertise and experience in rural areas such as ours, while at the same time remaining directly accountable, on a day-to-day basis, to local elected officials.

PART II. INTERGOVERNMENTAL COORDINATION

We support a block grant approach that provides flexibility in problem-solving to both the state and local levels. We are, however, concerned about the lack of general purpose local government involvement in the decision-making process.

The Federal Government must assume a leadership role by actively encouraging state and local governments to work together to solve the difficult problems that will emerge as the result of fewer resources. Because state bureaucracies exhibit many of the same limitations as federal bureaucracies, the role and responsibilities of general purpose units of local government must be clearly defined.

In order to achieve the intergovernmental cooperation that we feel is essential to the successful implementation of block grants, we support the following principles:

(1) Block grant programs to be administered by the states should be governed by legislation that addresses basic intergovernmental issues such as:

- preference for local governments in receiving and administering federal aid;
- ensuring that states respect local and substate regional policies while fulfilling their federal grant-in-aid responsibilities; and
- encouragement of substate regional council participation in appropriate block grant programs.

(2) Where categorical programs have traditionally been administered by local government, or by regional councils, similar direct funding should continue, by mandating a pass through or formula governing state allocations of these funds.

(3) States should be required by block grant provisions to have a joint determination process with local governments and their regional councils on the allocation of resources provided through block grant programs.

(4) Federal policy should be developed to encourage the use of general purpose local governments and their regional councils in program delivery as well as planning. Relationships between states and special agencies that are not accountable to the electorate have been fostered through federal policy in the past. To be consistent with the home rule objectives of the new federalism, federal policy should recognize local governments and their regional councils as the preferred units to assist states in the priority setting process.

The Federal Government has invested large amounts of money over the years to build the capacity of local governments to address their own community problems. The new federalism should recognize that local governments should be full partners with their states in both planning and program delivery.

Through our regional councils we can provide the necessary administrative capacity, even in our most rural areas, without creating new organizations or agencies. Administrative and Congressional support of provision to ensure: (1) a state and local partnership in the decision-making process, and; (2) a mandatory pass through to local units of government of at least part of funds allocated to each block grant program, would ensure meaningful involvement of local elected officials.

MITCHELL COUNTY SUPERVISORS

COURTHOUSE
NATIONAL
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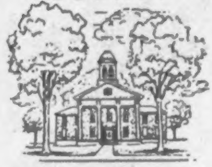


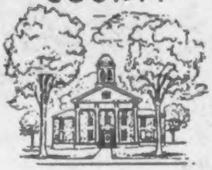
OSAGE, IOWA 50461
TELEPHONE
515 732-5861

Testimony of Gene Gerlach, Mitchell County Supervisor
February 18, 1982, at Budget Committee Field Hearing, Des Moines, Iowa

To date our county of 12,329 population has received $2,171,550.24 of Revenue Sharing monies. We, the Supervisors of Mitchell County, accept being accountable for the allocation of these funds. We welcome this opportunity to go on record as to what the funds have been used for and why. Recognizing that this is not all inclusive, some of the major things we have used funds for will be mentioned. The letterhead of this material pictures our Historical Site Courthouse. We placed a needed addition on it with voter approval with $321,000.00 of these funds. We have followed the regulations as to how the funds may and may not be spent. The media has been used extensively in publicizing the required hearings for allocation and the results of the hearings. Emphasis in our county has been on capital expenditures with Public Health and Safety a second priority. It has been emphasized at each public hearing that these monies are Federal income tax dollars that are being returned for our use as we see fit, within the guidelines of the Revenue Sharing act. We consider them to be subject to discontinuation, and to use them for operation of our local government would be asking for future local taxing problems. Specifically, we have used Revenue Sharing in what could be, for our county, a major contribution: Ambulances, Homemaker Health Aides and Care, Fire Department's equipment, Conservation land acquisition, Senior Citizens Centers acquisition and maintenance expense, County Transit System, Area Agency on Aging, Sheriff's cars, Secondary

MITCHELL COUNTY SUPERVISORS

COURTHOUSE
NATIONAL
HISTORICAL SITE



OSAGE, IOWA 50461
TELEPHONE
515 732-5861

Road equipment, County Zoning and Subdivision ordianances, Parks and equipment for them, Mental Health and Institutions and Libraries.

For the present budget and fiscal year 82/83, we have deviated from our past policy in allocating and have left $ 135,000.00 of Revenue Sharing unallocated, reserving it for anticipated shortfall in our snow plowing budget, a possible underfunding of Mental Health and Institutions budget and greater than anticipated drain on the Poor Fund until the economy turns around.

It would not be a catastrophic loss for Mitchell County if funds are reduced or eliminated. However, many of the funded projects are on-going and will be continued on a level that is permissable from local property taxes. Given the state imposed maximums of levying, some projects and programs would suffer from loss of General Revenue Sharing. It can be said those funds have been used for purposes that have enhanced the quality of life in Mitchell County. We are willing to accept a change from Federal to State policy provided we have input into the policy making process.

Respectfully submitted,

Gene Gerlach

Gene Gerlach
Mitchell County Courthouse
Osage, Iowa 50461

ATTEMPTS FAIL AT CHANGING DAVIS-BACON

Senator **Grassley**. Before I go on with Mr. Fleming, who just came, I want to comment about Davis-Bacon.

We have tried many times—outright repeal, or even modernizing it from the standpoint of giving an inflationary readjustment to the minimum level that's set in that, when it applies to local governments, which I think is $2,500. We haven't been successful in any of those, even for those people who complain about high defense spending, and when we try to make Davis-Bacon not applicable to defense spending, we can't even get those people who complain most about high defense spending, to save the taxpayers that $640 million wasted on Davis-Bacon as it applies to those contracts.

Mr. Fleming, I would like to introduce you to the group. You're a member of the Webster County Board of Supervisors, as I recall, and I do need to ask, are you speaking as a member of the board of supervisors, or as a representative of the council on governments—or both?

Mr. **Fleming**. Probably both.

Senator **Grassley**. OK. Go ahead.

Mr. **Fleming**. They're the ones that told me what to say.

Senator **Grassley**. OK. Proceed.

STATEMENT OF RICHARD FLEMING, MEMBER, BOARD OF SUPERVISORS, WEBSTER COUNTY, IOWA

Mr. **Fleming**. Thank you, Senator, for giving me this opportunity to give a few of my views today. This may come as a shock to you, but I don't always disagree with you. I approve of your suggestion to freeze the tax and budget for the coming year. I think that this would help balance the budget, if there is a freeze. It will bring down, I think, some of the piling up of the government bureaucracy, which we all know is terrible, and I think it would do more good, in the long run, than block grants.

LET BLOCK GRANTS GO DIRECTLY TO LOCAL GOVERNMENTS

Now, block grants sound very good. But I have one problem with block grants, and that is, what type of a commission are the States going to take off the top, before they get it down to the local governments?

There was an editorial in the Des Moines Register on February 12, I believe it was, regarding the block grants for education. And this editorial states that the agency getting this block grant, before they send it on down to local governments, would take 20 percent off the top for their own programs. Well, maybe that's not too much, but maybe it should be less. Maybe it should be more. I really feel that we could do more with it by letting it go right directly to the local governments, and cut out the middle man. That's what a lot of the business firms have tried to do in the past, and I think maybe it will work for the government.

CONTINUING THE REVENUE SHARING IS FAVORED

Another thing that our country favors is continuing the revenue sharing. Now this has a lot of good points to it. One is that we have revenue sharing, and you do not use it for ordinary, everyday, governmental expenses. In case you have a disaster or semidisaster, or whatever you want to call it—in Fort Dodge, right now, we're facing the packing plant, Hormel plant, closing in June. It's going to put about 500 people out of work. Now at the time our budget for the period ending in June, where we're going to get quite a slug—that budget was set a year ago. There was no way to anticipate this plant was going to close.

I realize that they will have unemployment insurance for a year, but we don't know if—if we don't get another plant, we're left high and dry, with no way to get money. That's one thing, when you have revenue sharing and haven't expended all of it, you can dip into that to get some money. And that is, of course, a people program, which, I think, is really what revenue sharing should be spent for.

And we're, as I said, facing a surge of rising costs due to this [illegible].

Another thing, the President says, "Get Washington off our back." Do we have any reason really to be sure that the States would be more responsible in operating these block grants than the Federal Government is? I hope that here in Iowa we are responsible enough to handle the block grants properly when they come, but we don't know. This is something that worries me considerably. I really don't know.

STUDY BLOCK GRANTS MORE

Another thing on block grants, last year the Federal Government made a block grant for substance abuse treatment. The State of Iowa, through the legislature, decided how they would allocate that money. They took 25 percent of the money and divided it equally among all the counties in the State. Now that sounds very fair. Then they took the other 75 percent and allocated it according to population. That doesn't sound too bad. But what it winds up with is that the smaller counties are going to have more money than they've been getting for substance abuse treatment. The larger counties are really being cut way down—bare-bones. In Webster County, we're going to lose over $100,000—I mean not Webster Conuty, but our six-county area, our treatment center—over $100,000 in this 1 year. And the only place we have to get that money is through the property tax. There are limits on how much we can get that way.

So I just feel that block grants should have more study before they're put into effect. Try the budget freeze, tax freeze for awhile, and see how it works. We can't lose anything. It might balance the budget. I don't know; the last time I can remember a budget balancing was back when poor old Harry Truman was being was being abused. He did balance the budget. I don't expect to live long enough to see it balanced again.

Thank you for letting me express my views.

Senator GRASSLEY. Thank you for responding to our invitation.

LET THE STATES TEST PROGRAMS FIRST

I guess, just from a philosophical standpoint, I'd like to respond to the question that you asked about whether or not States would be more responsible than the Federal Government in administering block grants, and I'm not sure it can be answered. But I think there's a viewpoint I have on it that ought to be considered—and it's not ruling, by any means, but it is kind of along the line of what Justice Brandeis said several decades ago, that the States are kind of a laboratory in our system of government; a State can try something, and maybe what's good will extend beyond its borders to other States, or it might even be taken over by the Federal Government. If a State experiments with something and it doesn't work very well and we learn it, it has not been applied to the entire country, so that all the bad aspects of it go along. And I think in some respects—maybe it's only partly because programs grew so rapidly in the late 1960's—but I think that there is some looking back to this program and seeing if maybe it came on too fast, and some of the mistakes were made nationwide, and that if they'd been tried and tested on a State basis before they were taken over by the Federal Government, or before the Federal Government established the system—you know, we'd learn from those mistakes.

Now, I suppose you could say, "Well the other side of the coin is, for those programs that have worked out good, we could be throwing the baby out with the bathwater." And that's something we obviously have to consider.

That's kind of the way, I guess, I have looked at some of these things in regard to when you're trying to find out what government can successfully do, and what it ought to do, and what it can constitutionally do; and then at least we've had some place to test it before it's expanded on to other States.

And then there's a certain amount of competitiveness between States. I'm not sure it's applicable, maybe, with a lot of Federal programs except education, but it seems to me that it's that sort of competitiveness that you don't have when you have all of the programs in one mold created in Washington.

POSITION ON BLOCK GRANTS AND REVENUE SHARING STRENGTHENED BY PRESIDENT

I suppose, too, in commenting before I ask questions, most of your testimony was in regard to revenue sharing and/or block grants. It happens that, at least in the near term, I guess somewhat to my surprise considering the large deficit that we have, that it seems like the President has strengthened, at least for the year 1983, his position on revenue sharing and block grants. They, along with about seven or eight other programs, were about the only programs that weren't drastically cut back. And then as you move into the early stages of New Federalism—let's just assume that it was adopted the way the President's concept has been put forth—then early on, the first 4 years, State legislatures—and I must remember I said "State legislatures," and not city councils or county boards of supervisors—but they do have the option of making a determination whether or not they want to go with those programs as they have been administered, with lessening Federal involvement and with the resources from the Federal Government, or whether they would forego the specifics of the program and have the money that would normally go to those programs collectitvely be given to the States in what has been termed by the President or his administrators as "super revenue sharing." So then the State legislatures—and maybe that would not preclude local governments; I don't know about that—from making a determination as to what they want to use that money for.

So for those of you that fear, you know, in this whole process, at least near term, that revenue sharing is going to be affected, I don't see that happening—with or without New Feedralism. But that probably would be answering more the concerns of the smaller cities here than, like, Des Moines, for example, because Des Moines and larger cities generally benefit to a greater extent with more specific programs.

So I guess the question I had in mind—and I've got to have it come back to me now—as you were talking, Tim, the extent to which you don't view State legislatures as being as responsive to local needs, is that the sort of thing that you say as you consider all 50 State legislatures, or is that something that's limited to just a few State legislatures? And I know your concern was particularly because of taxing authority you don't have under State home rule here in Iowa.

MONEYS NOT DISTRIBUTED BY STATE LEGISLATURES ACCORDING TO NEEDS

Mr. **Urban.** No, my comment was not directed toward a certain school of thought within the Iowa Legislature. It was addressed against an institution. It's my perception that just the way a State legislature is structured, by way of districts—counties or legislative districts, and in the way the State legislation is passed. through a committee structure much like legislation is done in Congress, in which there is a tremendous amount of special-interest pressure, that the ultimate outcome is not one of directing a dollar to a need that can be established objectively by some either statistical method or by some neutral, academic, or research type source. It's done through basic political give-and-take horse-trading.

And the result of that, then, is that if you take a legislature that is dominated by, say, rural representatives, that—and this is such a difficult thing to say, but it means that the formulas that eventually apply to distribution of funds are an attempt to be equitable—everybody gets their fair share; but if you're giving money out for crime prevention, or if you're dealing with money like community development block grants for older neighborhoods, neighborhood revitalization, certainly the money should go directly to the point source of administration which, in my judgment, is cities. And it should then be where the needs are the greatest.

And we have a dearth of material, of statistical facts, to try to be objective and determine where those needs are the greatest. Certainly a lot of the entitlement formulas attempt to focus on the distribution of moneys according to that. I simply don't feel, as an institution, State legislatures are capable of being as rational in seeing that moneys are distributed to the local sources and spent according to need. I think, because of the way the system works, it won't happen.

Senator **Grassley**. I'm not going to read a long list—and I can't take any credit for this list—but when the President made his proposal, he did put together a long list of things that came from the Advisory Commission on Intergovernmental Relations, that states, for instance, because of legislatures being better apportioned now than they were prior to the early sixties, and because there is not as much disparity between wealthy regions of the country and poor regions of the country as there used to be several years ago, because blacks can vote and because there aren't one-party States, just to name a few of several reasons, that these States are in a better position now than they were then to respond to some of these.

I know it's a relative thing, and I don't question the sincerity of your comments. I guess all I'd say is that maybe those problems aren't quite as bad now as they were a few years ago.

STATES SHOULD BE RECIPIENT OF ENTITLEMENT FUNDS

Mr. **Urban**. I guess what I'd like to get across is not so much to say that States shouldn't be a recipient of entitlement funds; I simply think that the States should be a recipient of entitlement funds over which they have direct administrative jurisdiction.

Education, for example. if you talk about local school districts, and that you have to create a passthrough through a State agency, for local school districts to get assistance. what's the difference between a State organization or a Federal HEW organization, or Department of Education? There's no change. That local district has to deal with just another bureaucracy. And I think the same thing is true with block grant money. It needs to go directly to local governments, or you're going to lose 20 percent off the top, and really not achieve anything.

Senator **Grassley**. I'm not so sure I don't agree with you when what you said is applicable to block grants. I think I would agree with that.

When you get over here, though, where there's more clear dividing line between Federal and State, and if there's resources that go with it, then I guess maybe you get to the point where the States are the key units in our federal system of government, along with the National Government.

Mr. **Urban**. The people are the key unit, getting the money directly to the people. And I'm afraid we're not doing that with the New Federalism, as I see it.

Senator **Grassley**. OK. Thank you.

I guess I need to ask the two of you that represent counties, was there anything about this distribution of half of the gas tax money back to the States—in other words, 2 out of the 4 cents of Federal would be all that would come back to the States for the State legislatures to levy, if they desire to, that worries or concerns you?

Mr. **Gerlach**. I really haven't taken a position on that, Senator. I can't comment.

Senator **Grassley**. All right. Richard?

Mr. **Fleming**. Senator, we can use all the money we can get. In fact, right now I've heard no discussion as to what we'd do with the Federal gas tax money if it did come back. But we need it. We've got a lot of bridges, and so does the State.

Senator **Grassley**. Well, of course, this is all in conjunction with this process of returning, or procedure of returning, Federal revenues to the States, and letting them decide whether or not they want to consider raising it.

Well, I think we've covered some of these questions with other witnesses, so I'm simply going to thank you for your participation and your willingness to be here.

I doubt if this will happen, but I ought to announce for your benefit, as well as any other witnesses previously who testified, occasionally members of committees who can't be present—and I'm the only 1 out of 22 here—send letters and ask for your views on certain things. They may not in the case of this, being a field hearing, but if they do, don't be surprised, because there is that normal followup that sometimes happens on the part of Senators who could not come.

Well, once more, I thank this panel for your participation, and for everybody else who participated.

The hearing is adjourned.

[Whereupon, at 12:10 p.m., the committee was adjourned.]

APPENDIX

The Senate
STATE OF IOWA
Statehouse
Des Moines, Iowa 50319

February 18, 1982

Dear Chuck,

Please forgive my having to send my statement rather then present it as I would have preferred. I am in a Ways and Means meeting that promises to take up most of my day. I regret having to miss your hearing.

STATEMENT OF HON. ROLF V. CRAFT, IOWA STATE SENATOR

I want to thank you, Senator Grassley for inviting me to speak to your Budget Committee Field Hearing here today. I have enjoyed working with you in the past on such occasions and commend you for coming to Iowa for answers to your questions.

As Ways and Means Chairman of the Iowa Senate, I have a very direct interest in the decisions made by the Federal Government and their impacts on revenue and expenditures in Iowa. Your decisions certainly effect our decisions as we seek to balance our budget.

Let me begin by stating my support for the concept of block grants. President Reagan was elected because most people want the growth of government reduced, they want the growth of government regulations reduced, and they want more control over their own lives. Block Grants and the New Federalism, if properly handled, are not only consistant with, but necessary for this mandate from the American people.

Iowa has a history of innovation in solving problems and handling government programs successfully. Iowa leadership in such areas as school finance, gasahol marketing, soil conservation, and the use of productivity taxations for ag land and homestead exemptions for residential property have served as examples of our ability to come up with our own solutions to our own problems. This innovative ability coupled with the honest and efficient administration of government in Iowa insures that we would all win if such programs are implemented. Iowa would also gain, because we consistantly contribute more revenue to Washington than we receive in federal expenditures in the state. Our adoption of County and City Home Rule and related legislation also stand as examples to our belief that government close to the people is good for the people.

I do, however, raise a flag of caution at the administration of these programs as they have been coming from Washington. Of the block grants received in Iowa this year, only one was truly a block grant relatively free from federal control and regulation.

Having been in the Iowa legislature has taught me the cold reality of the difference between a bill submitted to be passed as legislation and the actual law that results. Sometime during the process, the bill is added to, taken from, adjusted and readjusted. It is safe to assume that congress will activitate the privilege of amendment to the President's suggestions. It would be my hope that this bill, for the sake of clarity, and speed of implementation would be a neat clean package from congress.

We do need a bill that allows states freedom in dealing with specific and unique problems. So many consessions and adjustments are necessitated by the regulations regarding federal matching of funds, that often the real needs are not covered and others are inflated as a way of getting the most funds possible.

I want to underscore the necessitity of Congress to understand that the concept of block grants should not be confused with budget reductions. Budget reductions must stand on their own merits, seperate from block grants. Unfortunately, most of the grants this year involved funds reductions without allowing Iowans much flexibility in the use of the funds.

I would also urge that an appropriate time period be granted prior to the date of implementation of new concepts.

I would like to congratulate you, Senator Grassley, on your successes in Washington and your ability to do such a fine job in representing the people of Iowa in the U.S. Senate.

STATEMENT OF MAURY KRAMER, DES MOINES

If there had been time for everyone to speak at the hearing on "Federal Block Grants and Revenue Sharing--The Advantages and Disadvantages for the State of Iowa," in Des Moines, Iowa, I would have said:

> The lack of enthusiasm for "New-Federalism" decentralization by elected officials and the government employees who testified at your hearing will doubtless be the dominant impression of those who analyze their testimony.
>
> In contrast, my testimony as a retired-taxpayer observer at this hearing is enthusiastic support for the proposed principles of decentralization.
>
> My credentials for supporting principles of decentralization include some thirty years' experience in private-sector legislative work in Washington fighting the centralization of power in the Federal government.
>
> Retired taxpayers with similar experience, or personal convictions, will accept the challenge to make decentralization an idea whose time has come!
>
> Our perspective of the process of centralization can help reverse it. We can help:
>
> -- cut through "complexities" that are conjured up as evidence of "irreversible" centralization;
>
> -- blow the whistle on "numbers games" designed to divert discussion of basic decentralization issues;
>
> -- equip and encourage like-minded friends to express informed views to members of Congress, and others, on principles and philosophy of New Federalism.
>
> If the Administration fully exposes the "mess" of centralized programs, aggressive and enthusiastic support of New Federalism can more than match the political power of those who resist the reversal of centralization.
>
> In view of the importance to the readers of the record of these hearings of economic analyses of New Federalism not readily available to them, I request the inclusion with my testimony the attached excerpts from the Economic Report of the President recently transmitted to the Congress.

EXCERPTS FROM ECONOMIC REPORT OF THE PRESIDENT
-- TRANSMITTED TO THE CONGRESS, FEBRUARY 1982

THE DIVISION OF ROLES IN A FEDERAL SYSTEM

Our system of government is a Federal system, one in which certain powers have been granted to the Federal Government while other powers have been granted to the States. In recent decades, however, there has been a substantial centralization of power at the national level.

One constraint on the power of any government to impose costs on its citizens is the ability of those citizens to move elsewhere. Thus, one argument for reliance on State government is essentially the argument that it restricts the power of government, since any State which passed laws which were sufficiently inefficient would probably find itself losing residents. The long-term increase in the power of the Federal Government at the expense of the State governments has probably weakened this constraint on governmental power.

Another argument for federalism is that State and local governments are more likely to choose the amount and quality of governmental services preferred by their voters, whose preferences and resources vary greatly. This argument has important implications for both the types of services that should be provided at the different levels of government and the structure of the tax system. Decisions on government services that benefit people throughout the Nation, such as national defense and the protection of basic constitutional rights, are appropriately made by the Federal Government, and such services should be financed by Federal taxes. But, government services that provide benefits only or predominantly to residents of a specific region, such as urban transit and sewer systems, can probably be provided more efficiently by State or local governments and financed by State and local taxes or user charges on those persons directly benefited.

In this view, Federal grants-in-aid to State and local governments should be restricted to services provided by these governments that have significant benefits for residents in other regions of the country. Over the last several decades, however, Federal grants-in-aid have not been directed at assisting such services. Instead, these grants have in many cases reduced the State or local "tax price" of a wide range of other services and therefore have increased their utilization beyond that which most local residents would prefer. Consequently, the relative growth of Federal financing of State and local services has probably increased the total size of government in the United States while reducing its efficiency and responsiveness. The case for a return to a more balanced federalism is a case for both efficiency in the provision of public services and for greater individual freedom and choice in the Federal system.

STRENGTHENING THE FEDERAL SYSTEM

A central feature of the Administration's budget policies is a commitment to strengthening the concept and the practical application of federalism. The goal is a system that includes an effective central government interacting with effective and responsive State governments. As the Federal Government has extended its involvement in the economy in recent years, it has tended to reduce the autonomy of State governments and to centralize the responsibility for a number of social, economic, and regulatory programs. In the Administration's view, the result has made the entire public sector less effective and less efficient.

There are four major reasons for seeking to create a stronger and more balanced Federal system. First, such a system would encourage diversity among State and local governments. The diversity that exists among communities and regions requires a structure of government that recognizes the differences in circumstances, preferences, and demands for public services. Many services that are appropriately provided by the public sector generate benefits sufficiently limited geographically that they are properly the responsibility of State or local governments. This permits the individuals who will benefit from and pay for a given service to decide whether it should be provided and if so, in what quantity.

That diversity also permits a "portfolio" approach to solving problems that are common to many communities, in that a single approach—the Federal Government's approach—is not the only method that can be tried. As different jurisdictions choose different strategies for handling similar problems, the chances of finding superior solutions increase. This portfolio approach means that some methods will fail, possibly more severely than the single method that the national government would have chosen. But each jurisdiction can learn from the experience of others, and the portfolio approach should help the public sector function more effectively.

A second reason for strengthening the Federal system is to make the public sector more accountable for its actions. Accountability comes from matching the responsibility for providing services with the resources for financing them. It can be argued that voters can see more clearly at the State and local levels of government the connection between their tax bills and the use to which government funds are put. Greater accountability would make for a more informed balancing of the costs and benefits of public spending and, again, a more efficient allocation of resources.

The current array of Federal programs reflects some desire for both greater accountability and diversity. Revenue sharing is an example of a Federal attempt to promote diversity with Federal tax dollars by distributing Federal funds to local governments (and formerly to State governments too) to use essentially as they wish. Although such a strategy may achieve substantial diversity, it lacks accountability. Local officials who run revenue sharing programs do not have to answer at the next election to the taxpayers who pay for the programs. Block grants suffer from some of the same failings.

The usual Federal solution to accountability has been through regulation that by its nature effectively limits diversity. Even where several levels of government are involved in operating a program—such as medicaid—diversity is often hindered by the need for accountability. This need has been used to justify the imposition of many complex and burdensome regulations, and thereby administrative costs, on lower levels of government. Thus a third reason for the Administration's commitment to federalism is to reduce some of the administrative burdens that Washington now places on State and local governments participating in Federal programs.

Finally, a heightened role for State and local governments is consistent with the Administration's shift in Federal budget priorities toward clearly national needs, such as defense. In a time of budget restraint at the Federal level, State and local government may well want to assume responsibility for some of the activities that can no longer be financed by the Federal budget.

The consolidation of a number of categorical grant programs into block grant programs in the fiscal 1982 budget was the first in a series of steps toward revising the role of the central government in the Federal system. The Administration is proposing further consolidations of categorical programs in the 1983 budget. A more historic step toward strengthening the Federal system is the Administration's proposal to turn back the excise tax base to the States and to produce a clearer division of labor between the States and Washington. Beginning in 1984, for example, the States would become responsible for the major income-based transfer programs for able-bodied residents, while the Federal Government would assume full responsibility for medicaid, the major program of medical assistance to the poor.

One reason for this revised division of labor is a basic tenet of the Administration that income redistribution is not a compelling justification in the 1980s for Federal taxing and spending programs. It is the Administration's view that the Federal Government can do more to provide lasting assistance to the disadvantaged by assuring strong and less inflationary economic growth than through income transfer programs.

ATTACHMENT "A" TO STATEMENT OF HARVEY DAVIS, MATURA ACTION CORPORATION [1]

As you can readily visualize there is going to be a considerable change between the years 1981–82 and the predication for the proposed cut in 1983 is much more substantial than either year's cuts.

Some programs are proposed to be cut back so drastically, it is imperative that the Community Service Block Grant be funded at the $348,000,000 adopted by the Reconciliation Committee. With this funding CAA's will be able to administer the programs that need assistance and also assess the needs of the communities.

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[1] See p. 23.

SOURCES OF CAA DOLLARS
MOST RECENT FISCAL YEAR

CSA		
Local Initiative	$ 4,045,012	
Community Food & Nutrition	252,320	
ECIP	951,464	
Other CSA(Explain)	715,818	
Total CSA..................................		$ 5,964,614
DEPT. OF LABOR		
Public Service	1,868,211	
YCCIP	537,513	
Summer Youth	3,725,154	
Other CETA(Explain)	2,203,431	
Other D.O.L.(Explain)	474,596	
Total DEPT. OF LABOR........................		8,808,905
DEPT. OF AGRICULTURE		
W.I.C.	4,355,007	
FmHA	462,300	
Other USDA (Explain)	480,911	
TOTAL USDA		5,298,218
DEPT. OF HEALTH & HUMAN SERVICES		
LIEAP	26,946,176	
Head Start	3,976,785	
Other HHS(Explain)	46,224	
TOTAL HHS..................................		30,969,185
DEPT. OF HOUSING & URBAN DEVELOPMENT		5,688,000
DEPT. OF ENERGY		
Weatherization	4,850,105	
Alternative Technology	30,946	
Other D.O.E.(Explain)	33,116	
TOTAL D.O.E.		4,914,167
ACTION		
VISTA	17,400	
RSVP	9,730	
OTHER ACTION(Explain)	-	
TOTAL ACTION		27,130
DEPT. OF TRANSPORTATION		
Transportation Operation	11,540	
Transportation Capital	173,733	
Other DOT(Explain)	-	
TOTAL DOT		185,273
OTHER FEDERAL (Explain)		-
TOTAL FEDERAL		61,855,492

STATE OF IOWA		
OPP		
SCIP	28,973	
SEOO Training	64,991	
Other OPP(Explain)	308,142	
TOTAL OPP....................................		402,106
DEPT. OF SOCIAL SERVICES		
Day Care	304,662	
Homemaker/Home Health	899,613	
Chore Service	-	
Other DSS(Explain)	197,096	
TOTAL DSS		1,401,371
DEPT. OF HEALTH(Not including WIC)		
Family Planning	235,871	
Other DOH	100,000	
TOTAL DOH(Explain)		335,871
COMMISSION ON AGING		
AAA Funding	2,014,483	
Elderly Care	482,721	
Other COA (Explain)	95,771	
TOTAL COA..............................		2,592,975
DEPT. OF TRANSPORTATION		
STATE Funds (Explain)	203,992	
OTHER STATE OF IOWA (Explain)	209,709	
TOTAL STATE FUNDS.........................		5,146,024
MUNICIPAL & COUNTY		386,603
PRIVATE CONTRIBUTIONS		
Cash or Property	884,365	
Volunteer Services	1,715,828	
Other Contributions(Explain)	536,422	
TOTAL CONTRIBUTIONS.........................		3,136,615
AGENCY GENERATED		
Interest(Explain)	27,943	
Fees (Explain)	23,211	
Other Agency Generated	260,071	
TOTAL AGENCY GENERATED.......................		$ 311,225
TOTAL STATE, LOCAL, PRIVATE & AGENCY.........		$ 8,980,467
OTHER FUNDING SOURCES(Explain)		$ 3,000
TOTAL--ALL SOURCES...........................		$ 70,838,959
AVERAGE PER CAA		$ 3,935,498

PROJECTED BUDGET CUTS - FY82

	FY81	FY82	REDUCTION
FEDERAL SOURCES			
CSA	5,964,614	3,621,600	
DOL	8,809,905	3,865,100	
DOA	5,298,218	4,626,900	
HHS	30,969,185	30,000,000	
HUD	5,688,000	4,500,000	
DOE	4,914,167	3,950,000	
ACTION	27,130	0	
DOT	185,273	111,200	
TOTAL FEDERAL	61,855,492	50,674,800	11,180,6
STATE SOURCES			
OPP	402,106	300,000	
DSS	1,401,371	722,600	
IDH	335,871	201,500	
COA	2,592,975	1,954,500	
DOT	203,992	100,000	
OTHER STATE	209,709	100,000	
TOTAL STATE	5,146,024	3,378,600	1,767,42
MUNICIPAL & COUNTY	386,603	289,900	96,70
PRIVATE CONTRIBUTIONS	3,136,615	3,136,615	
AGENCY GENERATED & OTHER	314,225	155,000	159,
TOTAL CAA	70,838,959	57,634,915	13,204,

PROGRAM ACTIVITIES

4,353	Children enrolled in Head Start
242,899	Children's Meals Served
1.260	Children Enrolled in Day Care
17,154	Clients enrolled in Health Programs
4,229	Clients enrolled in Family Planning Programs
319	Clients enrolled in Alcoholism/Drug Abuse Programs
6,624	Clients enrolled in Consumer Education Programs
55,953	Clients enrolled in Nutrition Programs
825,788	Elderly Meals Served
366	Clients enrolled in Food Co-ops/Buying Clubs
27,249	Clients used Transportation Services
375,167	Trips provided by Transportation Services
864	Clients Enrolled in Economic Development Programs
4,681	Clients enrolled in CETA Programs
2,199	Clients completed CETA Training
2,960	Positive CETA Terminations
7,409	Homes Weatherized
1,256	Homes Rehabilitated
178,603	Clients provided with Energy Assistance
200,615	Clients provided with Outreach/Information Referral Service
56,151	Senior Citizens enrolled in CAA programs
3,456	Former Low-Income People employed
5,511	Total number of Employees
1,769	Number of employees who are not Program Enrollees

Projected Impact on Services Administered by Iowa CAA's Under FY82 Proposed Federal Budget Cuts

Program Activities	FY81	FY82
Children Enrolled in Head Start	4,353	No Change
Children Meals Served	242,899	No Change
Children Enrolled in Day Care	1,260	504
Clients Enrolled in Health Programs	17,154	6,861
Clients Enrolled in Family Planning Programs	4,229	1,691
Clients Enrolled in Alcholism/Drug Abuse Programs	319	Unknown
Clients Enrolled in Consumer Education Programs	6,624	-0-
Clients Enrolled in Nutrition Programs	55,953	50,357
Clients Using Transportation Services	27,249	15,804
Clients Enrolled in Economic Development Programs	864	Unknown
Clients Enrolled in CETA Programs	4,681	1,170
Clients Provided witn Energy Assistance	178,603	No Change
Clients Provided with Outreach/ Information Referral Services	200,615	No Change

HACAP SERVICES TO EAST CENTRAL IOWA

The Neighborhood Services Center in Anamosa:

Provides resources, information, and informal educational opportunities to help low-income persons find a way to solve problems and seek options which will lead to self-sufficiency.

Number of Participants: 10,000

Serves: Benton, Iowa, Jones, Johnson, Linn and Washington Counties with centers in Vinton, Parnell, Anamosa, Iowa City, Cedar Rapids, Toddville, Central City, Lisbon, and Washington.

Community Food and Nutrition Program:

Provides education in food budgeting techniques, gardening, and preservation. Also provides emergency food help and technical assistance in setting up food banks. Coordinates the distribution of surplus foods such as cheese.

Serves: Benton, Iowa, Jones, Johnson, Linn and Washington Counties.

Congregate Meals:

Provides nutritionally balanced meals and social interaction for persons sixty years of age or older in order to help them remain self-sufficient.

Number of Meals Served: 165,000

Serves: Benton, Iowa, Jones, Linn, and Washington Counties with meal sites in Belle Plaine, Vinton, Parnell, Marengo, North English, Anamosa, Cedar Rapids (3), Marion, Central City, Springville, and Washington.

CETA Team - Balance of State:

Provides job training and related services to disadvantaged persons sixteen years of age or older to assist them through technical or on-the-job training programs which will assist them to secure unsubsidized jobs.

Number of Participants: 365

Serves: Benton, Iowa, Jones, Johnson, and Washington Counties.

Energy Crisis Intervention Program:

Provides information on energy conservation. During the past year has provided resources and worked with utility companies in emergency situations to prevent utility disconnection. Provide emergency aid to those with life-threatening crisis.

Serves: Benton, Iowa, Jones, Johnson, Linn and Washington Counties.

Eldercare:

The Eldercare program provides chore services to persons 65 and over to help maintain independent living. Priority is given to those who are at or less than 125 percent of the federal poverty level. Also provide weatherization assistance for homes of those 65 and over to help them remain self-sufficient.

Number of Participants: 900

Serves: Benton, Iowa, and Jones Counties for chore service and Cedar, Linn, and Washington Counties for Eldercare Weatherization.

Home Energy Assistance Program (HEAP):

The Home Energy Assistane Program provides partial assistance in payment of heating bills for low-income and elderly persons meeting 150 percent federal poverty guidelines to keep current on energy bills. Also provides no-cost or low-cost energy conservation training and budgeting education.

Number of Households: 6,000

Serves: Benton, Iowa, Jones, Johnson, Linn, and Washington Counties.

Personal Energy Project:

Provides information and assistance to elderly persons in danger of hypothermia. Works with "medical" community to provide information and education in recognizing dangers of hypo/hyperthermia.

Number of Participants: 200

Serves: Benton, Iowa, Jones, Johnson, Linn, and Washington Counties.

Weatherization:

Provides weatherization for homes of low-income and elderly (125 percent of federal poverty guidelines) to reduce energy consumption in the home and protect against dangers of hypothermia and reduce cost of growth of federal fuel assistance program.

Number of Households: 175 - 200

Serves: Benton, Iowa, Jones, Johnson, Linn, and Washington Counties.

Head Start:

Provides education to preschoolers and their families which will help the child in the formal education process. Parent Involvement Workers visit the homes to provide comprehensive services in areas of nutrition and health, social and educational development.

Also provides comprehensive developmental full-day day care for preschool children with related support services in the areas of health, nutrition, parent involvement and social services.

Also provides nutrition services with a program to encourage quality child care through home nutrition training reimbursement and with a program to provide 1/3 to 1/2 of the daily nutritional requirements to all participants in Head Start through a meals program.

Number of Participants: 200

Serves: Benton, Iowa, Jones, Johnson, and Linn Counties with 8 centers in Vinton, Williamsburg, Monticello, Cedar Rapids (2), Marion, Iowa City, and Washington.

HUD Counseling:

Provides counseling and education to persons living in HUD-financed housing to help them retain their housing. Works with area banks, fuel dealers, government agencies and other area service agencies on housing problems of low-income and elderly.

Serves: Benton, Iowa, Jones, Johnson, Linn, and Washington County.

Youth Employment Programs:

Provide work experience and career exploration for area low-income and other disadvantaged and handicapped youth through the following programs:

Governor's Youth Opportunity Program provides training and job skills to enable youth to remain in school.

Summer Youth Employment Program provides work experience and subsidized wages during the summer months.

Youth Employment Training Program provides career exploration and job skills.

Vocational Exploration Program provides career exploration and occupational exposure.

Number of Youth Employed: 450

Serves: Benton, Buchanan, Iowa, Jones, Johnson, Linn, and Washington Counties.

Women, Infants, and Children (WIC):

Provides special services to pregnant, postpartum, and breastfeeding women and to children whose health is threatened by low-income and nutritional need. These services include supplemental foods (such as infant formula, milk, juices, cheese, eggs, and cereals), nutritional education and health care.

Number of Participants: 1,600

Serves: Benton, Iowa, Jones, and Linn Counties at 12 sites in Belle Plaine, Vinton, Williamsburg, Anamosa, Monticello, Cedar Rapids (4), Lisbon, Central City, and Toddville.

Housing Rehabilitation:

Provides major home repair for low-income residents to bring homes up to city housing codes and HUD standards.

Serves: City of Marion Urban Renewal Area.

Rural Economic Development Project (RED):

Provides employment for rural elderly to allow them to remain self-sufficient and improve the economic base of the area.

Serves: Southern Iowa County.

Title V:

Provides part-time subsidized employment for individuals 55 years old or older in public and private non-profit public service activities. Utilized through the Heritage Agency on Aging to supplement the staff for Congregate Meals, Neighborhood Services, and the North English Senior Center.

Serves: Benton, Iowa, Jones, Johnson, Linn and Washington Counties.

Washington County Mini-Bus System:

Provides public transportation system on a demand-response basis or chartered arrangement to allow rural county residents the means to remain mobile.

Serves: Washington County

Washington County Senior Services:

Provides outreach, education and referral services for senior citizens to maintain health and nutrition standards through various HACAP programs. Also provides consulting assistance to the community on senior programming.

Serves: Washington County

Central Administration:

Provides planning and coordination, financial management, grants management, contract compliance and personnel management for 28 programs operated by HACAP through a central administrative unit of 11 people.

FEB 11 1982
MATURA Action Corporation

IOWA EAST CENTRAL
T.R.A.I.N.
COMMUNITY ACTION PROGRAM / PATRICIA A. STEIGER, EXECUTIVE DIRECTOR
CENTRAL OFFICE 1328 W. 3RD ST. DAVENPORT, IOWA 52802
MUSCATINE • CLINTON • CEDAR • SCOTT COUNTIES
(AREA) 319 324-3235

February 8, 1982

Harvey Davis, Executive Director
MATURA Action Corp.
129 North Pine Street
Creston, Iowa 50801

Dear Harvey:

During fiscal 1981 (11-1-80 through 10-31-81), this Agency provided 15,227 units of service in our four county area.

That figure includes:

7,300	Outreach Contacts
4,500	Low Income Energy Assistance
487	Headstart Children
140	Summer Youth
1,900	W.I.C. Clients
100	Children in full-day Daycare
600	E.C.I.P. Contacts
200	Weatherized Homes (Including Low-Cost/No-Cost)

As I am sure you know, the Outreach contacts are everything from a simple referral to helping a family whose trailer was burned out to find shelter, clothing, etc.

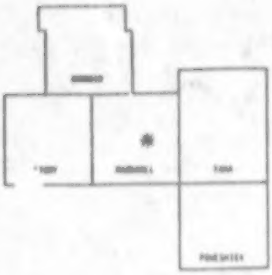
Hope this is helpful. See you soon.

Sincerely,

Pat

Patricia A. Steiger
Executive Director

PAS/slb



MID-IOWA COMMUNITY ACTION, INC
1500 EAST LINN STREE
MARSHALLTOWN, IOWA 501
PHONE 515-752-71

RECEIVED
FEB 8 1982
MATURA Action Corporation

February 4, 1982

Harvey Davis, Executive Director
MATURA
P.O. Box 381, 129 North Pine
Creston, IA 50801

Dear Harvey:

Attached to this letter you will find our service statistics for 1981. This is not an unduplicated count, but it does show the level of service in each program area.

If you need further information, please feel free to contact me.

Sincerely,

Arlene McAtee
Arlene McAtee,
Planning Director

AM/rb

Attachment

1981 SERVICE LEVELS

MICA PROGRAMS

Housing Program		
Weatherized homes (completed)		477
Heating Assistance (households)		3,671
Emergency Energy Assistance (households)		76
Elderly Housing Rehabilitation (households)		13
Nutrition and Health		
WIC (persons)		1,232
Gardening and Canning (persons)		1,016
Emergency Food (persons)		1,189
Early Childhood Education		
Head Start (children)		108
Youth Employment		
School Year Programs (persons)		112
Summer Program (persons)		253
Outreach Information and Referral		
Total referrals		18,276
Housing referrals	9,188	
Nutrition and Health referrals	6,846	
Employment referrals	448	
Education and Training referrals	335	
Other Services referrals	1,459	

Mid-Sioux Opportunity, Inc.

418 Marion Street Telephone 712 786 2001
REMSEN, IOWA 51050

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FEB 8 1982
MATURA Action Corporation

FEBRUARY 5, 1982

Harvey Davis
MATURA Action Corp.
129 North Pine
P.O. Box 381
Creston, Iowa 50801

Good Morning:

Pat Kass asked me to give you the following data. These figures are approximate but should closely reflect the number of people served in 1981.

Number of Families Served = 3,500

Number of Individuals Served = 10,500

If we can be of further service please give us a call.

Sincerely,

Dick Sievers

Dick Sievers
Planner
DS/mh

FOR FY 81
Unless noted otherwise

MID-SIOux

SOURCES OF CAA DOLLARS
MOST RECENT FISCAL YEAR

CSA		
Local Initiative	216,000	
Community Food & Nutrition	6,864	
ECIP	51,000	
OTHER CSA (Explain)	75,000 (Rural Housing)	
TOTAL CSA		348,864
DEPT. OF LABOR		
Public Service	0	
YCCIP	0	
Summer Youth	0	
Other CETA (Explain)	75,805.34 Title VI	
Other D.O.L. (Explain	0	
TOTAL DEPT. OF LABOR		75,805.34
DEPT. OF AGRICULTURE		
W.I.C.	55,375	
FmHA	227,427	
Other USDA (Explain)		
TOTAL USDA		282,802
DEPT. OF HEALTH & HUMAN SERVICES		
LIEAP	1,018,819.00	
Head Start	235,399	
Other HHS (Explain)	0	
TOTAL HHS		1,254,218
DEPT. HOUSING & URBAN DEVELOPMENT		0
DEPT. OF ENERGY		
Weatherization	247,594	
Alternative Technology	0	
Other D.O.E. (Explain)	0	
TOTAL D.O.E		247,594

SOURCES OF CAA DOLLARS
MOST RECENT FISCAL YEAR

ACTION				
VISTA (estimated)	5,000			Volunteer Salaries
RSUP	0			
OTHER ACTION (Explain)	0			
TOTAL ACTION			5,000	
DEPT. OF TRANSPORTATION				
Transportation Operation	0			
Transportation Capital	0			
Other DOT (Explain)	0			
TOTAL DOT			0	
OTHER FEDERAL (Explain)			0	
TOTAL FEDERAL			2,214,283	
STATE OF IOWA				
OPP				
SCIP	0			
SEOO Training	0			
Other OPP (Explain)	0			
TOTAL OPP		0		
DEPT. OF SOCIAL SERVICES				
Day Care	0			
Homemaker/Home Health	84,098			(Homemaker/Health and chore are not separated)
Chore Service	0			
Other DSS (Explain)	0			
TOTAL DSS		84,098		
DEPT. OF HEALTH (NOT including WIC)				
Family Planning	0			
Other DOH	45,675			Homemaker/Health
TOTAL DOH (Explain)		45,675		

SOURCES OF CAA DOLLARS
MOST RECENT FISCAL YEAR

COMMISSION ON AGING			
AAA Funding	11,477		
Elderly Care	14,331		
Other COA (Explain)	0		
TOTAL COA		15,936	
DEPT. OF TRANSPORTATION			
STATE Funds (Explain)		0	
OTHER STATE OF IOWA (Explain)		0	
TOTAL STATE FUNDS			145,709
MUNICIPAL & COUNTY (Explain)			86,250 Homemaker/Health
PRIVATE CONTRIBUTIONS			
Cash or Property	130,455		From 3/1/81 through 10/31/81
Volunteer Services	30,986		
Other Contributions (Explain)	0		
TOTAL CONTRIBUTIONS		159,391	
AGENCY GENERATED			
Interest (Explain)	0		
Fees (Explain)	0		
Other Agency Generated	0		
TOTAL AGENCY GENERATED		0	
TOTAL STATE, LOCAL & AGENCY			391,350
OTHER FUNDING SOURCES (Explain)			0
TOTAL -- ALL SOURCES			$2,605,633

PROGRAM ACTIVITIES

105	Children Enrolled in Head Start
11,655	Children's Meal's Served
N/A	Children Enrolled in Day Care
39,188 hrs. of service	Clients Enrolled in Health Programs
N/A	Clients Enrolled in Family Planning Programs
N/A	Clients Enrolled in Alcoholism/Drug Abuse Programs
N/A	Clients Enrolled in Consumer Education Programs
424 WIC Dec.1981 1300 Comm. Food Total 1981	Clients Enrolled in Nutrition Programs
23,800	Elderly Meals Served
N/A	Clients Enrolled in Food Co-Ops/Buying Clubs
N/A	Clients Used Transportation Services
N/A	Trips Provided by Transportation Services
N/A	Clients Enrolled in Economic Development Programs
N/A	Clients Enrolled in CETA Programs
N/A	Clients Completed CETA Training
N/A	Positive CETA Terminations
331	Homes Weatherized
194	Homes Rehabilitated
2,492 households	Clients Provided with Energy Assistance
638 new clients 5,037 effective referrals	Clients Provided with Outreach/Information Referral Service
(approximate) 1500 51%	Senior Citizens Enrolled in CAA Programs
N/A	Former Low-Income People Employed
133	Total Number of Employees
133	Number of Employees who are not Program Enrollees
14	Green thumb workers

NEICAC PROGRAM EXPENDITURES

PROGRAMS	FUNDS SPENT 2-1-80 TO 1-31-81
Administration (01)	$47,273.26
Local Initiative (05)	$176,108.81
CSA Transit Planner	$1,990.56
Summer Recreation	$5,991.25
Community Food and Nutrition	$7,211.94
CSA Winterizing	$14,357.79
Crisis Intervention Program	$19,136.37
Reprogrammed SCIP	$4,334.00
SEOO - CSA Training	$1,359.27
TOTAL CSA FUNDS	$277,763.25
01-05 Contributions	$25,542.47
PSE CETA (Title VI) contracts	$63,230.04
Minor Home Repair	$13,233.03
DOE III Winterizing	$184,823.58
DOE IV Winterizing	$37,678.29
Energy Crisis Assistance Program	$1,159,816.18
Low-Income Energy Assistance Program	$403,167.96
Head Start	$233,758.68
Head Start Handicapped	$7,955.64
Head Start Indirect funds	$9,230.27
Head Start Social Services	$1,599.84
Head Start Donations	$222.31
Women, Infant, Children Supplemental Feeding Program (not including value of food vouchers)	$27,923.03
Governor's Youth Opportunity Program	$16,099.92
Work Experience Program	$98,762.93
1980 Summer CETA	$321,875.49
Youth Employment Programs (10-1-80 - 01-31-81)	$75,050.36
Regional Transit System	$221,809.68
Family Planning	$48,228.30
Family Planning Donations	$7,446.96
TOTAL $ Other Sources	$2,957,364.96
GRAND TOTAL	$3,235,128.21

NOTE: For every dollar of CSA funds, NEICAC mobilized and spent $10.65 from other sources in 1980.

OPERATION THRESHOLD ACTIVITY AND FUNDING IN 1981 (BY SERVICE AREA)

I. Low Income Population in Each Service Area

Area	% of Total Population	Low Income Population
West Side	26%	4509
Jesse Cosby(East)	25%	4335
Rural BlackHawk	6%	1041
Cedar Falls	18%	3122
Grundy County	5%	867
Buchanan County	20%	3469
Total	100%	17,343

II. Low Income Population Served by Operation Threshold

Area	WIC	LIEAP Energy Assistance	Weatherization
West Side	7293	1182	45
Jesse Cosby (East)	6939	1162	131
Rural BlackHawk	1779	258	15
Cedar Falls	1966	433	17
Grundy County	492	236	24
Buchanan County	1612	494	58
Total	20,081 participants	3,765 households	290 homes

Community Services

Area	Educ	Emp.	Hlth	Engy	Trnsp	Hsing	Oth Ser	Total
West Side	56	70	336	262	2	142	806	1678
Jesse Cosby(East)	74	116	34	630	14	78	894	1840
Rural BlackHawk	78	158	228	368	6	336	1972	3146
Cedar Falls	174	58	304	344	36	132	606	1704
Grundy County	2	4	20	416	24	56	80	602
Buchanan County	86	136	196	480	106	104	742	1850
Total	470	542	1118	2500	192	898	5100	10,820

III. Amount of Direct Program Funding to Clients

Area	Energy	WIC	Weath.	Com. Ser.	Total
West Side	425,520	167,739	35,145	3,075	631,479
Jesse Cosby(East)	418,320	159,597	102,311	30,138	710,366
Rural BlackHawk	92,880	40,917	11,715	331	145,843
Cedar Falls	155,880	45,218	13,277	571	214,946
Grundy County	84,960	11,316	18,744	0	115,020
Buchanan County	177,840	37,076	45,298	11,626	271,840
Total	1,355,400	461,863	226,490	45,741	2,089,494

IV. Administrative Costs

$$\frac{\text{Administration Costs}}{\text{Total Agency Costs}} \quad \frac{\$\,43{,}133}{\$2{,}048{,}801} = 2\%$$

OPERATION THRESHOLD - Waterloo — Black Hawk, Grundy & Buchanan

- WIC
- Weatherization
- Low Income Energy Assistance
- Outreach and Community Services

Iowa East Central T.R.A.I.N. - Davenport — Muscatine, Clinton, Cedar & Scott

- CETA - Housing & Staffing
- Governor's Youth Program
- Headstart
- KIDS Daycare
- Weatherization
- Congregate Meals
- Childcare Food Program
- Eldercare
- Home Energy Assistance Program
- Community Services
- Outreach/Information & Referral

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MATURA - Creston — Adair, Madison, Adams, Union, Taylor & Ringgold

- Community Services
- Headstart
- Youth Community Conservation Improvement Program
- Community Food and Nutrition
- Weatherization
- Low-Income Energy Assistance
- Youth Consolidated
- WIC
- Domestic Violence
- Eldercare
- CETA
- Energy Crisis Intervention
- Governor's Youth Opportunity

City of Des Moines — Des Moines

- Low-Income Energy Assistance
- Garden Project
- Weatherization
- Services to Homeowners & Renters
- Neighborhood Foot Patrol
- Elderly Services
- Family Violence Center
- Family & Child Development
- New Horizons

Operation: New View — Delaware, Dubuque & Jackson

- Outreach
- Multi purpose centers
- Low-Income Fuel Assistance
- Tax aid for the elderly
- Headstart
- Senior Co-op food enterprise

- Youth in School (CETA)
- Manpower
- Summer Youth (CETA) Program
- Senior Citizens' Clubs

South Central Iowa CAP - Leon

- CETA
- Weatherization
- Crisis Prevention
- Eldercare
- Low-Income Energy Assistance
- Rural Community Development
- Credit Union
- Headstart
- Day Care/Nursery School
- Goveronor's Youth Opportunity
- Community Food & Nutrition
- Summer Youth Employment
- RSVP
- Community Centers

Southeast Iowa Community Action Organization - Burlington   Lee, Henry, Des Moines & Louisa

- Head Start
- Weatherization
- Neighborhood Centers
- Family Day Care
- Volunteer Bureau
- WIC
- Planning
- Fuel Assistance Program
- Area Agency on Aging
  - Chore Srevice
  - Congregate Meals
  - Transportation
  - Elder Care

Woodbury County Community Action Agency - Sioux City   Woodbury

- Neighborhood Srevice Systems
- Emergency Energy Assistance
- Emergency Food Bank
- Weatherization
- Rural Rehabilitation
- Solar Energy
- Senior AIDES
- WIC
- Woodbury 70001
- Headstart
- Women Aware

West Central Development Corporation - Harlan — Cass, Crawford, Fremont, Harrison, Mills, Monona, Montgomery, Page, Pottawattamie & Shelby

- Head Start
- Family Planning
- WIC
- Governor's Youth Opportunity
- Senior Aides
- Home Energy Assistance
- Low-Income Energy Assistance

Red Rock CAP - Des Moines — Boone, rural Polk, Jasper, Warren & Marion

- Energy Assistance
- Weatherization
- Emergency Food Pantries
- Chore Services
- Transportation

MID-SIOUX OPPORTUNITY, INC. - Remsen

Lyon, Sioux, Plymouth, Cherokee & Ida

- Emergnecy Crisis Intervention
- Homemaker/Health
- Low Income Energy Assistance
- Head Start
- WIC
- Weathetization
- Rural Housing Rehabilitation
- Community Food and Nutrition

Y.O.U.R., INC. - Webster City

Hamilton, Humboldt, Webster & Wright

- Outreach & Referral
- Weatherization
- Home Energy Assistance
- WIC
- Head Start
- Governor's Youth Opportunity
- Emergency Food Pantry
- Adopt-a-family
- Food Coop

UPPER DES MOINES OPPORTUNITY, INC. - Emmetsburg

Buena Vista, Clay, Dickinson, Emmet, O'Brien, Osceola, Palo Alto & Pocahontas

- CSA Local Initative
- Community Food & Nutrition
- Summer Food Service for Children
- WIC
- Head Start
- Governor's Youth Opportunity
- Green Thumb
- Senior Aides
- Home Repair & Rental Assistance
- Weatherization
- Home Energy Assistance
- Energy Crisis Intervention

HACAP - Cedar Rapids	Benton, Iowa, Johnson, Jones, Linn, Washington

Neighborhood Services Center
Community Food & Nutrition
Congregate Meals
CETA Team
Energy Crisis Intervention
Eldercare
Home Energy Assistance
Personal Energy Project
Weatherization
Head Start
HUD Conseling

Youth Employment
WIC
Housing Rehabilitation
Rural Econmonic Development
Title V
Washington County Mini-Bus
Washington County Senior Services

SIEDA
SOUTHERN IOWA ECONOMIC
DEVELOPMENT ASSOCIATION

P.O. BOX 658
OTTUMWA, IOWA 52501

LOCATED IN WAUSAU VILLAGE
OTTUMWA INDUSTRIAL AIRPORT

JOSEPH D. MONDANARO
EXECUTIVE DIRECTOR

TELEPHONE (515) 682-8741

WAYNE L. MILLARD
CHAIRMAN OF THE BOARD

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FEB 8 1982
MATURA Action Corporation

February 5, 1982

Deputy Director
Larry Shepard

Fiscal Officer
Martha McGee, C P A

Community Organizations

Energy
Peggy Yencsik, Director

Homemaker
Health Care Services
Roberta Pfaff, Director

Women, Infant Children
Supplemental Food
Phyllis McWilliams, Director

Area XV Agency
on Aging
Shirley Baird, Director
515-682-5491

Drug & Alcohol Services
15-683-1624

Head Start/Child Care
Ruth Guy, Director
515-682-8309

Information & Referral
800-452-1019
684-4661—Ottumwa Area

Integrated Transit System
John Nardini, Director
515-684-6577

Manpower
Harry Alexander
Employment Specialist
515-683-3746

Weatherization
Calvin Hicks, Director
515-683-3181

Mr. Harvey Davis
Executive Director
MATURA Action Corp.
117 North Pine Street
Creston, Iowa 50801

Dear Harvey:

As per our telephone conversation I am enclosing a brief fact sheet, identified as a "Client Activity Report," with the information you requested.

As I have indicated, Harvey, the number of units set out relate to client contacts and services provided clients either directly by us or through another referral resource.

The number of low-income (unduplicated) relates to our area poverty group population.

I hope this is helpful to you.

Sincerely,

Larry

Larry L. Shepard
Deputy Director
SIEDA/RPC

LLS:mc
Enclosure (1)
cc: Joseph D. Mondanaro, Executive Director

CLIENT ACTIVITY REPORT

SOUTHERN IOWA ECONOMIC DEVELOPMENT ASSOCIATION/ REGIONAL PLANNING COMMISSION

FOR THE PERIOD: December 1, 1980 - November 30, 1981

UNITS OF SERVICE: Contacts in which direct service was provided or referral made and an outside resource provided the service.

Number of units of service provided (A number of services to one client)	1,850,599
Number of persons affected (unduplicated)	33,191

One client may be the recipient of several hundred units of service; i.e.: Transportation, Homemaker, food and/or clothing, telephone reassurance, counseling, shopping, etc., in a fiscal year's time.

SOUTH CENTRAL IOWA CAP, INC.

FUNDING SOURCE AND PROGRESS REPORT

Nov. 1981

PROGRAM GOALS 1982	FUNDS & SOURCE	ACCOMPLISHMENTS 1981
ADULT EMPLOYMENT		
Comprehensive Employment & Training Act		
Title IIB - Assist 115 heads of household in finding jobs or on-the-job training	$50,851 DOL & State (2 staff) 10-81/9-82	116 persons placed
Green Thumb - Employment for over 55 years of age, 16 to 22 hours per week, minimum wage. Green Thumb assists Elderly Care, Head Start and Weatherization Programs.	$72,815 DOL & State Farmers Union	19 persons sponsored by SCICAP in 5 counties
Title II - Day Care Aide 40 hours per week, $3.35.	$5,280 State Dept. of Social Services	1 person employed - Day Care Center
ENERGY CONSERVATION		
Weatherization Weatherize 196 homes	$179,951 DOE to 3-30-82	120 homes completed as of Sept. 30, 1981
CRISIS PREVENTION		
50 Congregate Host Homes	$25,000 CSA carryover funds	18 Homes
25 Winter Storage		1 Home
50 Families Conversion Costs		26 Families
5 Solar Panels		5 Panels
50 Families to Public Hsg. or Subsidized Housing		27 Families
10 Chimney Liners & Furnace Repairs		12 Homes
10 Thermo Fins for Oil Heaters		5 Homes
50 Homes - Flue Dampers		5 Homes
10 Dryer Vents		12 Homes
10 Insulated Water Heater Covers		36 Homes
24 Homes - Free Wood		16 Homes
Assist 100 families with financial counseling and budget plans.		Assisted 122 families

HOUSING		
Elderly Care Funds Improve accessibility to 20 homes in Area XIV. Provide repair assistance to 20 additional homes.	$7,350 AAA 7-81 to 6-82	20 homes worked on as of 9-30-81
Assist 20 families with FmHA Housing Loans	$5,000 CSA	Assisted 3 applicants with FmHA loans
ENERGY ASSISTANCE		
Low Income Energy Assistance Program Goal 2,000 Households	$857,953 HHA 12-80 thru 9-81	2,199 applications approved $774,988 expanded to date
Crisis Intervention	$9,010 CSA carry over 11-80/10-81 $11,000 CSA 10-81/9-82	$1,500 to State Advocacy Plan - CARG Materials for 3 dolar collectors to date
RURAL COMMUNITY DEVELOPMENT		
Assist with Little River Watershed Development and waste water management in 4 small towns.	$5,265 CSA	Operation of SIRWA Coord. LRWA - 1,100 sign-ups Local Fund Drive - helped raise $120,000 will complete land acquisition Needs assessments completed. Assessment of number of low income families in watershed area. Alpha Wastewater Mgmt. - Preliminary Eng. Reports 5 small rural communities Step 2 & 3 Grant Applications filed DEQ - preliminary eng. work successfully supervised. Facilitated testing of Community water supplies by Iowa Dept. of Health
ECONOMIC DEVELOPMENT	$32,000 RLF	$15,000 loan to Leon Inds. Dev. Committee; $6,000 loan to SCIDC
FINANCIAL SERVICES		
SCICAP Credit Union Serve 100 members	$58,399 local member savings $66,835 Total Assets	144 members; present loan balance of $44,644 Loans since organized $358,240

Emergency Family Loan Provide emergency loans to 300 persons	$20,000 RLF	Served 234 persons with loans totaling $13,144
Senior Citizen RLF	$4,000	4 loans outstanding
EDUCATIONAL SERVICES		
Head Start - Provide Head Start Pre-School to 120 children including 22 handicapped	11-1-81/10-30-82 $217,176 HHS $25,000 carry over $10,000 DPI $3,414 DSS	Presently (9-1-81) 133 children enrolled; including 10 handicapped
Day Care/Nursery School Provide Day Care services for 100 children and nursery school for 20 children. Russell Pre-School	$1,900 DSS $4,528 DPI $2,880 Tuit. $20,000 Fees 11-80/10-81	120 different children served in three centers; Leon Nursery School serves 20 children. Wayne Nursery School serves 20 children. Russell Pre-School serves 16 to 20 children annually.
YOUTH EMPLOYMENT PROGRAMS		
Governor's Youth Opportunity Provide work experience for 20 youth ages 14 - 18 in school	$20,029 DSS $10,785 Local 9-1-81/5-31-81	Have utilized 13 employers to supply 20 job slots
FOOD AND NUTRITION		
Community Food & Nutrition Improve nutrition for low-income thru advocacy and self-help projects	$7,307 CSA carry over $22,300 CSA 9-81/8-82	Seeds and plants have been provided for 1,206 gardens in the 5 county area to date including 2 community gardens. Provide mobile meal supplies to sponsors in 5 counties. Established 4 food pantries with ministerial groups. Farmers Markets sold $5,000 worth of produce.
SUMMER YOUTH PROGRAMS		
Summer Youth Employment Employ 20 youth Clarke Decatur - 35 youth. 43 youth in Lucas; 37 youth Monroe; 37 youth Wayne. 14 - 21 years, minimum wage.	$225,000 CETA 1981 FY '82 Funding level unknown	Area XIV funded 55 slots, Area XV funded 117 slots. Total of 172 youth served in 5 counties.

Youth Employment & Training Program Provide jobs for youth from low-income families 15-21 years, 10-15 hours per week, minimum wage.	CETA Funded Contract Agreements with IHCC-MATURA	Clarke Co. 2 slots Decatur Co. 2 slots Lucas Co. 2 slots Monroe Co. 2 slots Wayne Co. 1 slot
ACTION PROGRAMS		
RSVP - 1 supervisors 1 year Recruit 60 volunteers - Decatur County	$6,000 ACTION 7-81 to 6-82	64 volunteers recruited to date
COMMUNITY ACTION AGENCY		
Community Centers - local initiative, serve 14,500 low-income persons	$131,033 CSBG $18,793 carry over 11-81/9-82	9,100 persons served

1981 - 1982 Budget Sources

CSA Funds ' 82	$ 33,300
CSA Carryover	70,737
Community Service Block Grant Funds	131,033
Department of Labor Funds	50,851
Department of Health and Human Services	217,176
Department of Energy Funds - DOE	179,951
Miscellaneous Funds	157,001
Estimated Home Energy Assistance Program	860,000
TOTAL	$1,700,049

COMMUNITY SERVICES ADMINISTRATION

UPPER DES MOINES OPPORTUNITY, INC.

AN EQUAL OPPORTUNITY EMPLOYER
1907 ELEVENTH ST., BOX 98
EMMETSBURG, IOWA 50536-0098
TELEPHONE (712) 852-3866

KATHLEEN C. KERBER
President
Board of Directors

PATRICIA D. MITCHELL
Executive Director

Serving Buena Vista,
Clay, Dickinson,
Emmet, O'Brien,
Osceola, Palo Alto and
Pocahontas Counties

[illegible]
FEB 5 1982
MATURA Action Corporation

February 3, 1982

Mr. Harvey Davis
MATURA
P.O. Box 321
Creston, Iowa 50801

Dear Harvey:

I have enclosed 3 items that I hope provide appropriate information for your testimonial. Two of the items are somewhat duplicative referring to program service units and dollars. The proposed funding changes identifyed were our best guesses in November, 1981.

I hope this is useful. Please call or write if you have questions or need more information. Best wishes for a successful day in support of Iowa's Community Action Agencies.

Sincerely,

UPPER DES MOINES OPPORTUNITY, INC.

Rod Huenemann
Planner

RH:cc
Enclosures

UPPER DES MOINES OPPORTUNITY, INC.
1907 11th Street
Emmetsburg, IA 50536

SUMMARY OF PROGRAMS JANUARY 18, 1982

PROGRAM	PURPOSE	# SERVED	FUNDING
1 CSA Local Initiative	Research, Planning, Fiscal, Management, Outreach	13,271/year	$ 164,000
2) Community Food & Nutrition	Emergency Food, Gardening, Farmer's Markets, Nutrition Education	2,000/year	$ 35,100
3) Summer Food Service for Children	Children's Summer Lunches	748/year	$ 12,308
4) Women, Infants, & Children (WIC)	Supplemental Food, Nutrition Education	1,133/month	$ 347,262
5) Head Start	Pre-school, Health Education	180/year	$ 386,735
6) Governor's Youth Opportunity Program	Youth Work Experience	35/year	$ 52,470
7) Green Thumb	Elderly Employment	15/year	$ 68,940
(Senior Aides	Elderly Employment	7/year	$ 32,177
9) Home Repair & Rental Assistance	Home Repair, Low-rent Housing, Deposit Loans	99/year	$ 82,578
10) Home Weatherization	Home Insulation, Caulking, Weatherstripping	616/year	$ 245,858
11) Home Energy Assistance Program	Fuel Bill Assistance	3,357/year	$1,000,000
12) Energy Crisis Intervention	Utility Rate Advocacy, Alternate Energy, Emergency Assistance	182/year	$ 56,000
	TOTALS	21,643 (duplicate count)	$2,483,428

EXD 589

wcdc WEST CENTRAL DEVELOPMENT CORPORATION

MAIN OFFICE
1020 6TH STREET

HARLAN, IOWA 51537
PHONE (712) 755-5135

January 11, 1982

Ms. Judy Dierenfeld
1724 Center Street
West Des Moines, Iowa 50265

Dear Ms. Dierenfeld:

Enclosed is a map that will identify the ten(10) counties in the WCDC service area in southwest Iowa.

Programs administered by WCDC:

1. HEAD START -- Serves 160 children in the four(4) counties of Monona, Harrison, Crawford and Shelby.

2. FAMILY PLANNING -- Serves approximately 500 (including 124 in Job Corps) clients in the four(4) counties of Monona, Harrison, Crawford(Job Corps Site) and Shelby.

3. WOMEN, INFANTS AND CHILDREN(WIC) -- Serves nine(9) counties; approximately 1,464 clients; long waiting list.

4. GOVERNOR'S YOUTH OPPORTUNITY PROGRAM -- Serves approximately 38-48 young people between the ages of 14-18; serves eight counties. (Does not serve Crawford and Monona Counties).

5. SENIOR AIDES PROGRAM -- Serves all ten(10) counties; provides employment for 67 people 55 years of age and older of low-income and in need of employment which cannot be found elsewhere.

6. HOME ENERGY ASSISTANCE PROGRAM -- (HEAP) -- for current year (All 10 Counties).

   LOW-INCOME ENERGY ASSISTANCE PROGRAM -- (LIEAP) -- for 1980-81 assisted 6,691 households for a total of 17,769 people. The county breakdown was:

cap

A COMMUNITY ACTION AGENCY . . AN EQUAL OPPORTUNITY EMPLOYER

	COUNTY	NO. OF APPLICATIONS	DOLLARS EXPENDED
1.	Cass	632	$196,745
2.	Crawford	506	221,144
3.	Fremont	287	100,817
4.	Harrison	598	231,621
5.	Mills	376	115,729
6.	Monona	608	250,998
7.	Montgomery	489	148,047
8.	Page	651	185,054
9.	Pottawattamie	2,151	610,856
10.	Shelby	427	154,406
		6,725	$2,215,416

Sincerely,

Robert K. Fallgatter

Robert K. Fallgatter
Executive Director

RKF/mes
Enclosure
cc: Correspondence Control

WOODBURY COUNTY COMMUNITY ACTION AGENCY
SERVICE PROFILE

February 1981 - January 1982

Total Woodbury County Population (1980 Census) -- 100,884

1. NEIGHBORHOOD SERVICES SYSTEM

Families served by WCCAA Outreach:	5,479	
# of people in families:	14,245	
*New Families:	2,592	-- 47.3% of NSS clientele have never been on WCCAA programs before this year.
# of people in new families:	9,204	

*Programs	Families
Head Start	120
Weatherization	411
LIEAP	3,094
HEAP (to date)	2,400
ECIP	236
Solar Education	40
Rural Rehab	19
WIC	1,592
Food Bank	111

2. OTHER WCCAA PROGRAMS (Intake done by program staff, not outreach)

Senior AIDES	72
70001	139
Food Stamp Outreach	662
Vol. Weatherization	12
Satellite Congregate Meal Sites	58
Women Aware	32
Child Care Feeding	36
	1,385

POVERTY POPULATION SERVED

Total # of Families:	6,753	Cost per Family:	$507.00
Total # of People:	17,557	Cost Per Person:	$195.00

MTGS/WORKSHOPS (Participants from the community -- may be above poverty guidelines)

IPS Informal Hearings	400	DSS Regulations	18
Food Forum	187	Volunteer Weatherization Workshops	83
Legislative Process	32	Solar Workshops	240
Energy Expo '81	400		1,386

*NOTE: Whenever an agency has many programs, it is difficult to obtain an unduplicated count of clients. In the interests of providing a "pure" count, families in programs under (1) have not been totalled. The total number of families has been taken from program files. NEW FAMILIES are those that have never received assistance through WCCAA programs before.

WCCAA FUNDING SOURCES:

- CETA
- Community Services Administration
- National Council of Senior Citizens
- Department of Energy
- Department of Health
- Department of Public Instruction
- Area Agency on Aging
- Farmer's Home Administration
- Department of Social Services
- Iowa Energy Policy Council
- Iowa Office for Planning and Programming
- Siouxland Interstate Metropolitan Planning Council
- Woodbury County Board of Supervisors
- City of Sioux City
- Monona County Board of Supervisors
- Health and Human Services
- Hornick Estates
- Local Donations

Total Funding:	$3,424,225.00
Administrative Costs:	$ 215,390.00
Administrative Cost Ratio:	6%
Cost Per Family	$ 507.00
Cost Per Person:	$ 195.00

mailed 2/10/82

OFFICE OF ECONOMIC OPPORTUNITY

ADMINISTRATIVE COSTS REPORT

(OEO Instruction 6807-1)

REPORT PERIOD ENDED	MONTH 08 YEAR 81
GRANTEE NO.	7 0 0 0 1
Form Approved. Budget Bureau No. 116-R0161	
REPORTS CONTROL SYMBOL	(OEO-CA1)

LINE NO. (a)	PROGRAMS (b)	ACTUAL EXPENDITURES FOR PREVIOUS PROGRAM YEAR: TOTAL (c)	ACTUAL EXPENDITURES FOR PREVIOUS PROGRAM YEAR: ADMINISTRATIVE (d)	ACTUAL EXPENDITURES FOR FIRST 6 MONTHS OF CURRENT PROGRAM YEAR: TOTAL (e)	ACTUAL EXPENDITURES FOR FIRST 6 MONTHS OF CURRENT PROGRAM YEAR: ADMINISTRATIVE (f)	ESTIMATED EXPENDITURES FOR FINAL 6 MONTHS OF CURRENT PROGRAM YEAR: TOTAL (g)	ESTIMATED EXPENDITURES FOR FINAL 6 MONTHS OF CURRENT PROGRAM YEAR: ADMINISTRATIVE (h)
1.	OEO TITLE III						
2.	OEO TITLE I					76,728	1,641
3.	U.S. DEPT. H.E.W.	203,962	5,841	76,839	2,461		
4.	U.S. DEPT. H.U.D.					126,519	-0-
5.	U.S. DEPT. LABOR	266,824	-0-	186,417	-0-	1,349	191
6.	OTHER FEDERAL AGENCIES	9,838	-0-	8,675	-0-	684,719	28,885
7.	STATE GOVERNMENT	1,966,328	121,953	697,733	47,442	17,686	1,225
8.	LOCAL GOVERNMENT	612,786	1,261	237,799	1,579		
9.	PRIVATE ORGANIZATIONS					907,001	31,942
10.	TOTAL ASSISTED PROGRAMS (Lines 1 thru 9)	3,059,738	129,055	1,207,463	51,482	132,044	47,908
11.	TOTAL TITLE II PROGRAMS	364,487	86,335	192,725	61,339	1,059,045	79,850
12.	TOTAL ALL PROGRAMS (Lines 10 + 11)	3,424,225	215,390	1,400,188	112,821		
13.	ADMINISTRATIVE COSTS RATIO		06 %		08 %		.08 %

CERTIFICATION BY GRANTEE

I hereby CERTIFY that this financial report is true in all respects, that the expenditures for OEO-Funded programs reconcile with the expenditures on the corresponding OEO Form 315 report, and that the total expenditures for non-OEO funded programs are compatible with the expenditures reported to the funding agencies for the corresponding period.

NOTICE: *The information called for on this form relates to the expenditure of and accounting for federal grant funds and matching non-federal contributions and must be submitted to or held for inspection by an agency of the United States. The furnishing of false information may be punishable by fine or imprisonment or both under U.S. Code, Title 18, Section 1001.*

NAME OF CAA: Woodbury County Community Action Agency, 2700 Leech, S ux City, IA

TYPED NAME AND TITLE OF PERSON PREPARING REPORT: Donna Mandicino, Fiscal Officer

SIGNATURE: Donna Mandicino

DATE: 2/10/82

TYPED NAME OF STAFF DIRECTOR: Kevin J. Beauvais, Exec Director

SIGNATURE:

DATE: 2/10/82

OEO FORM 315d (Test) JAN 73 REPLACES CAP FORM 15D, DATED MAY 69, WHICH IS OBSOLETE.

GSA DC 72-7333

ATTACHMENT "B" TO STATEMENT OF HARVEY DAVIS, MATURA ACTION CORPORATION[1]

IOWA ASSOCIATION OF COMMUNITY ACTION DIRECTORS,
Peosta, Iowa, February 11, 1982.

To: : All Iowa CAP directors.
From: : D. H. Langfield, President.

DEAR HEARTS: Here is the Senate companion bill to the house measure. Judy tells me in all probability it will be referred to Human Resources. It may have to go to State Government after—but only as a formality.

The House bill *did* get re-referred to Human Resources.

Judy tells me the sub committee should be friendly and the bills should get out of Committee O.K. After that, the sledding could get tough.

Stay with your legislators on this.

---

[1] See p. 24.

FILED FEB 4 1982

SENATE FILE 2127

BY CRAFT, TEIDEN, SLATER, COLEMAN,
MILLER of Des Moines, BRILES,
HULSE, MILLER of Cerro Gordo,
ANDERSON AND BAUGHER

Passed Senate, Date______________ Passed House, Date______________
Vote: Ayes________ Nays________ Vote: Ayes________ Nays________
Approved______________________________

A BILL FOR

An Act to assure the continuation of human service programs delivered by community action agencies.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

S.F. 2127 H.F. _____

Section 1. Chapter 7A, Code 1981, is amended by adding sections 3 through 10 of this Act as new sections.

Sec. 2. POLICY AND PURPOSE. The general assembly finds that the citizens of Iowa are dedicated, self-sufficient, and very proud of contributing to the future of Iowa. However, when factors beyond the control of the citizens of Iowa affect the decency and dignity of the citizens, the general assembly recognizes that the general assembly needs to contribute to the strength of the state through the coordination of all possible resources. It is the purpose of this Act to strengthen, supplement, and coordinate efforts to develop the full potential of each citizen by recognizing certain community action agencies and the continuation of certain human service programs delivered by the community action agencies.

Sec. 3. NEW SECTION. ESTABLISHMENT. The office for planning and programming may recognize and assist in the designation of certain community action agencies to assist in the delivery of community action programs. A city council or county board of supervisors or any combination of one or more councils or boards shall establish a community action agency and shall apply to the office for planning and programming for recognition if there is not a designated community action agency in the area. The council or board or the combination shall adopt an ordinance or resolution establishing a community action agency if a community action agency has not been designated.

Sec. 4. NEW SECTION. COMMUNITY ACTION AGENCY BOARD.

1. A recognized community action agency shall be governed by a board of directors composed of at least fifteen members but not more than thirty-three members. The board membership shall be as follows:

a. One-third shall be persons [illegible] are currently on a city council or board of supervisors or designees of such persons.

b. One-third shall be persons who according to federal guidelines have incomes at or below poverty level and are elected by such persons, or are representatives elected by such persons.

c. One-third shall be persons who are members or representatives of businesses, industry, labor, religious, welfare, and educational organizations, or other major interest groups.

2. Notwithstanding subsection 1, a public agency which is acting as a community action agency shall establish an advisory board to assist the governing board. The advisory board shall be composed of the same type of membership as a board of directors under subsection 1. The advisory board shall comply with the duties required for the board of directors for community action agencies under section 5 of this Act. However, the public agency acting as the community action agency shall determine annual program budget requests.

Sec. 5. NEW SECTION. DUTIES OF BOARD.

1. The governing board or advisory board shall:

a. Provide for:

(1) Comprehensive planning of the community action agency.

(2) Local needs assessment surveys conducted by the community action agency.

b. Approve overall program plans and priorities developed by the community action agency.

c. Assure compliance with the conditions or actions required to receive federal, state, local, or private funds or contributions.

d. Approve proposals and establish policies relating to financial assistance and the disbursement of the funds or contributions pursuant to paragraph c.

2. The governing board or advisory board may:

a. Own, purchase, and dispose of property necessary for the operation of the community action agency.

b. Receive and administer funds and contributions from private or public sources which may be used to support

S.F. 2127 H.F. _____

community action programs.

c. Receive and administer funds from a federal or state assistance program pursuant to which a community action agency could serve as a grantee, a contractor, or a sponsor of a project appropriate for inclusion in a community action program.

Sec. 6. NEW SECTION. DUTIES OF COMMUNITY ACTION AGENCY. A community action agency shall:

1. Plan for a community action program by:

a. Obtaining and developing information relating to the problems and causes of poverty in the service area.

b. Determining the amount and effectiveness of the assistance being provided to solve the problems and causes of poverty.

c. Establishing priorities among projects, activities, and areas to provide for the most efficient use of possible resources.

2. Encourage state agencies engaged in activities relating to a community action program to plan for, obtain, and administer assistance from available sources on a common or cooperative basis, in an attempt to provide additional opportunities to low-income persons.

3. Initiate and sponsor projects responsive to the needs of low-income persons, which are not otherwise being met, with emphasis on providing common services that can be provided for a variety of programs, by developing new approaches or new types of services to be incorporated into existing community action programs and by attempting to alleviate problems caused by any elimination of services pending the modification of those programs.

4. Establish effective procedures by which the concerned low-income persons and area residents may influence the community action programs affecting them by providing for methods of participation in the implementation of the community action programs and by providing technical support to assist

persons to secure assistance available from public and private sources.

5. Encourage and support self-help, volunteer, business, labor, and other groups and organizations to assist public officials and agencies in supporting a community action program which results in the additional use of private resources while developing new employment opportunities, encouraging investments which have an impact on reducing poverty among the poor in areas of concentrated poverty, and providing methods by which low-income persons can work with private organizations, businesses, and institutions in seeking solutions to problems of common concern.

Sec. 7. NEW SECTION. ADMINISTRATION. A community action agency or a designated agency may administer the components of a community action program when the program is consistent with plans and purposes and applicable law. The community action programs may be projects which are eligible for assistance from any source. The programs may be either developed to meet local needs or developed to meet eligibility standards of a federal or state program providing assistance to a program developed to meet the local needs.

Sec. 8. NEW SECTION. AUDIT. Each community action agency shall be audited annually by the auditor of state. However, in lieu of an audit by the auditor of state, the community action agency may contract with or employ a certified public accountant to conduct the audit, pursuant to the applicable terms and conditions prescribed by sections 11.18 and 11.19 and an audit format prescribed by the auditor of state. Copies of each audit shall be furnished to the office for planning and programming within three months following the annual audit.

Sec. 9. NEW SECTION. ALLOCATION OF FINANCIAL ASSISTANCE. The director shall provide financial assistance for community action agencies to implement community action programs, as permitted by the community service block grant received in

S.F. 2127 H.F. _____

Iowa and other possible funding sources.

The director shall proportion the amount of financial assistance to the size of the poverty-level population in the area represented by the community action areas compared to the size of the poverty-level population in the state.

Sec. 10. NEW SECTION. REPORT TO GENERAL ASSEMBLY. The director shall report annually to the general assembly regarding the community action programs conducted within the state.

Sec. 11. Section 7A.2, Code 1981, is amended by adding the following new subsections:

NEW SUBSECTION. "Community action agency" means a public agency or a private nonprofit agency which is authorized under its charter or bylaws to receive funds to administer community action programs and is designated by the governor to receive and administer the funds.

NEW SUBSECTION. "Community action program" means a program conducted by a community action agency which includes projects to provide a range of services to improve the conditions of poverty in the area served by the community action agency.

NEW SUBSECTION. "Director" means the director of the office for planning and programming.

NEW SUBSECTION. "Delegate agency" means a subgrantee or contractor selected by the community action agency.

EXPLANATION

This bill provides that the office for planning and programming coordinate the efforts and services of community action agencies within the state. The community action agency governing board, consisting of elected officials, low-income persons, and various community organizations, shall provide for planning and services relating to assisting low-income persons.

Each community action agency shall be audited annually and shall receive an amount of financial assistance from the state through the federal community service block grant in

S.F. 2121 H.F. ____

a proportion equal to the size of poverty-level population in the area served by the community action agency compared to the size of the poverty-level population in the state.

The bill includes new definitions relating to the community action agencies.

The bill takes effect July 1 following its enactment.

[illegible]

HOUSE FILE 2309

JAN 2[illegible] 1982

STATE GOVERNMENT

BY KREWSON, BRANDT, TRUCANO,
SWARTZ, MULLINS, RAPP, CARPENTER,
CLARK of Cerro Gordo, STURGEON,
HALVORSON of Webster, POFFENBERGER
BRUNER, CARL, McKEAN, LLOYD-JONES,
CONNOLLY, ARNOULD AND DAGGETT

Passed House, Date____________ Passed Senate, Date____________

Vote: Ayes________ Nays________ Vote: Ayes________ Nays________

Approved______________________________

A BILL FOR

An Act to assure the continuation of human service programs delivered by community action agencies.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

S.F. _____ H.F. 2309

Section 1. Chapter 7A, Code 1981, is amended by adding sections 3 through 10 of this Act as new sections.

Sec. 2. POLICY AND PURPOSE. The general assembly finds that the citizens of Iowa are dedicated, self-sufficient, and very proud of contributing to the future of Iowa. However, when factors beyond the control of the citizens of Iowa affect the decency and dignity of the citizens, the general assembly recognizes that the general assembly needs to contribute to the strength of the state through the coordination of all possible resources. It is the purpose of this Act to strengthen, supplement, and coordinate efforts to develop the full potential of each citizen by recognizing certain community action agencies and the continuation of certain human service programs delivered by the community action agencies.

Sec. 3. NEW SECTION. ESTABLISHMENT. The office for planning and programming may recognize and assist in the designation of certain community action agencies to assist in the delivery of community action programs. A city council or county board of supervisors or any combination of one or more councils or boards shall establish a community action agency and shall apply to the office for planning and programming for recognition if there is not a designated community action agency in the area. The council or board or the combination shall adopt an ordinance or resolution establishing a community action agency if a community action agency has not been designated.

Sec. 4. NEW SECTION. COMMUNITY ACTION AGENCY BOARD.

1. A recognized community action agency shall be governed by a board of directors composed of at least fifteen members but not more than thirty-three members. The board membership shall be as follows:

a. One-third shall be persons who are currently on a city council or board of supervisors or designees of such persons.

b. One-third shall be persons who according to federal guidelines have incomes at or below poverty level and are elected by such persons, or are representatives elected by such persons.

c. One-third shall be persons who are members or representatives of businesses, industry, labor, religious, welfare, and educational organizations, or other major interest groups.

2. Notwithstanding subsection 1, a public agency which is acting as a community action agency shall establish an advisory board to assist the governing board. The advisory board shall be composed of the same type of membership as a board of directors under subsection 1. The advisory board shall comply with the duties required for the board of directors for community action agencies under section 5 of this Act. However, the public agency acting as the community action agency shall determine annual program budget requests.

Sec. 5. NEW SECTION. DUTIES OF BOARD.

1. The governing board or advisory board shall:

a. Provide for:

(1) Comprehensive planning of the community action agency.

(2) Local needs assessment surveys conducted by the community action agency.

b. Approve overall program plans and priorities developed by the community action agency.

c. Assure compliance with the conditions or actions required to receive federal, state, local, or private funds or contributions.

d. Approve proposals and establish policies relating to financial assistance and the disbursement of the funds or contributions pursuant to paragraph c.

2. The governing board or advisory board may:

a. Own, purchase, and dispose of property necessary for the operation of the community action agency.

b. Receive and administer funds and contributions from private or public sources which may be used to support

S.F. _____ H.F. 2309

community action programs.

c. Receive and administer funds from a federal or state assistance program pursuant to which a community action agency could serve as a grantee, a contractor, or a sponsor of a project appropriate for inclusion in a community action program.

Sec. 6. NEW SECTION. DUTIES OF COMMUNITY ACTION AGENCY. A community action agency shall:

1. Plan for a community action program by:

a. Obtaining and developing information relating to the problems and causes of poverty in the service area.

b. Determining the amount and effectiveness of the assistance being provided to solve the problems and causes of poverty.

c. Establishing priorities among projects, activities, and areas to provide for the most efficient use of possible resources.

2. Encourage state agencies engaged in activities relating to a community action program to plan for, obtain, and administer assistance from available sources on a common or cooperative basis, in an attempt to provide additional opportunities to low-income persons.

3. Initiate and sponsor projects responsive to the needs of low-income persons, which are not otherwise being met, with emphasis on providing common services that can be provided for a variety of programs, by developing new approaches or new types of services to be incorporated into existing community action programs and by attempting to alleviate problems caused by any elimination of services pending the modification of those programs.

4. Establish effective procedures by which the concerned low-income persons and area residents may influence the community action programs affecting them by providing for methods of participation in the implementation of the community action programs and by providing technical support to assist

persons to secure assistance available from public and private sources.

5. Encourage and support self-help, volunteer, business, labor, and other groups and organizations to assist public officials and agencies in supporting a community action program which results in the additional use of private resources while developing new employment opportunities, encouraging investments which have an impact on reducing poverty among the poor in areas of concentrated poverty, and providing methods by which low-income persons can work with private organizations, businesses, and institutions in seeking solutions to problems of common concern.

Sec. 7. NEW SECTION. ADMINISTRATION. A community action agency or a designated agency may administer the components of a community action program when the program is consistent with plans and purposes and applicable law. The community action programs may be projects which are eligible for assistance from any source. The programs may be either developed to meet local needs or developed to meet eligibility standards of a federal or state program providing assistance to a program developed to meet the local needs.

Sec. 8. NEW SECTION. AUDIT. Each community action agency shall be audited annually by the auditor of state. However, in lieu of an audit by the auditor of state, the community action agency may contract with or employ a certified public accountant to conduct the audit, pursuant to the applicable terms and conditions prescribed by sections 11.18 and 11.19 and an audit format prescribed by the auditor of state. Copies of each audit shall be furnished to the office for planning and programming within three months following the annual audit.

Sec. 9. NEW SECTION. ALLOCATION OF FINANCIAL ASSISTANCE. The director shall provide financial assistance for community action agencies to implement community action programs, as permitted by the community service block grant received in

S.F. _____ H.F. 2309

Iowa and other possible funding sources.

The director shall proportion the amount of financial assistance to the size of the poverty-level population in the area represented by the community action areas compared to the size of the poverty-level population in the state.

Sec. 10. NEW SECTION. REPORT TO GENERAL ASSEMBLY. The director shall report annually to the general assembly regarding the community action programs conducted within the state.

Sec. 11. Section 7A.2, Code 1981, is amended by adding the following new subsections:

NEW SUBSECTION. "Community action agency" means a public agency or a private nonprofit agency which is authorized under its charter or bylaws to receive funds to administer community action programs and is designated by the governor to receive and administer the funds.

NEW SUBSECTION. "Community action program" means a program conducted by a community action agency which includes projects to provide a range of services to improve the conditions of poverty in the area served by the community action agency.

NEW SUBSECTION. "Director" means the director of the office for planning and programming.

NEW SUBSECTION. "Delegate agency" means a subgrantee or contractor selected by the community action agency.

EXPLANATION

This bill provides that the office for planning and programming coordinate the efforts and services of community action agencies within the state. The community action agency governing board, consisting of elected officials, low-income persons, and various community organizations, shall provide for planning and services relating to assisting low-income persons.

Each community action agency shall be audited annually and shall receive an amount of financial assistance from the state through the federal community service block grant in a proportion equal to the size of poverty-level population in the area served by the community action agency compared to the size of the poverty-level population in the state.

The bill includes new definitions relating to the community action agencies.

The bill takes effect July 1 following its enactment.

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